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Supplying the World



2000
annual report

Including the Slocan Forest Products Ltd. 2000 Annual Information Form Dated April 23, 2001

Our world in 2000

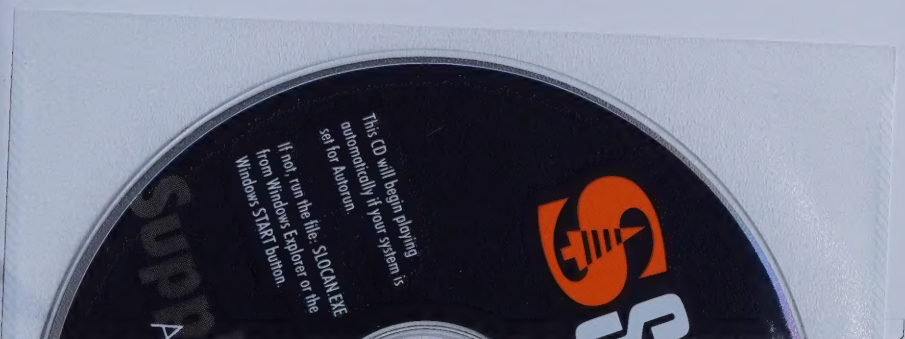
The defining characteristic of our business world is speed - speed of commerce, communications and innovation. Customers, investors and competitors can now reach around the globe faster and cheaper than ever before. Only those companies which are constantly searching for new opportunities and more efficient ways of doing business and which keep on changing to stay ahead will survive and prosper.

It is in this new world of globalization that Slocan operates - a world in which we think and act locally because we manage a public forest resource and globally because that is our marketplace. To succeed in this new world, we are reshaping every facet of our business from the way we manage our forests to the way we manufacture and market our products. This annual report reviews our strategies to supply what the world needs while fulfilling our local obligations and sustaining our high performance in this rapidly changing business environment.

In 2000, we remained profitable despite significant softening of lumber and wood panel prices in the latter part of the year. We accomplished this by remaining focused on controlling costs, expanding production of higher value products and shipping more product to markets outside North America.



orld



This disc contains a brief introduction to Slocan and the 2000 Annual Report (including the Annual Information Form).

- Place this disc in the center ring of your PC's cd-rom tray.
- Program will launch automatically.
- Depending on the speed of your processor, the program can take anywhere from a few seconds to several minutes to load.

Our World

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Notes to Financial Highlights:

- (1) Reflects share buy-back program in 2000.
- (2) 1999 diluted earnings per share have been restated (\$2.72 per share as previously reported) as a result of the retroactive implementation of the new Canadian Institute of Chartered Accountants' standard for calculating earnings per share.
- (3) Includes the Company's 49.9% interest in the Finlay operations until its disposition in August 1999.

Financial Highlights

(Figures in the Financial Highlights tables are expressed in thousands of dollars except Financial Analysis.

Common Share Data and Other Data, and should be read in conjunction with the Notes set out on the left)

Sales and Earnings

	2000	1999
Sales	\$ 925,863	\$1,085,813
EBITDA	184,656	286,750
Cash flow from operations before changes in non-cash working capital items	92,005	236,899
Earnings before unusual items	100,003	185,079
Net earnings	61,203	108,417

Financial Position

Working capital	\$ 192,380	\$ 216,108
Total assets	873,983	788,624
Long-term debt	359,880	348,310
Shareholders' equity	233,030	208,103
Capital expenditures	70,712	37,792

Financial Analysis

Return on capital employed	14.29%	21.33%
Return on common shareholders' equity	27.75%	69.85%
Ratio of current assets to current liabilities	2.01:1	2.6:1
Ratio of net debt to shareholders' equity ⁽¹⁾	52:48	53:47
Net earnings as a % of sales	6.61%	9.98%

Common Share Data

Common shares outstanding ⁽¹⁾		
Weighted average	37,838,920	38,212,101
Year end position	36,495,655	38,245,143
Per Share (in dollars)		
EBITDA	\$ 4.88	\$ 7.50
Cash flow from operations before changes in non-cash working capital items	2.43	6.20
Net earnings - basic	1.62	2.84
- diluted ⁽²⁾	1.59	2.80
Dividends	0.50	0.075
Shareholders' equity	6.39	5.44

Other Data

Production:		
Lumber (Mfbm)	1,384,489	1,380,551
Plywood (M sq. ft.) 3/8" basis	212,796	175,746
OSB (M sq. ft.) 3/8" basis	428,953	433,256
Wood chips (BDUs)	749,750	770,275
Pulp (ADMts)	184,741	171,185
Newsprint and specialty paper (tonnes)	-	52,748



Ron D. Price
Senior Vice-President
Chief Financial Officer
& Secretary

In 2000 our earnings were \$61.2 million or \$1.62 per share (\$1.59 diluted). Our total sales revenue was \$925.9 million compared with sales of \$1.086 billion in 1999. Cash flow from operations was \$104.8 million.



2000 Goals & Achievements

Goal:

Increase profitability:

Achievements:

1. Increased sales of lumber graded for the market in Japan (J-Grade) by 29%
2. Increased production of plywood by 21%
3. Began production of hardwood specialty pulps
4. Began the production of laminated beams in one of the largest facilities of its type in the world
5. Entered into a joint venture with Louisiana-Pacific to build an OSB plant

Goal:

Enhance customer service/value:

Achievements:

1. Marketed lumber via the internet
2. Increased sales staff
3. PolarBoard Division received 1999 Ron Baker Award for excellence in OSB manufacturing

Goal:

Diversify customer base:

Achievements:

1. Increased lumber and panel sales to offshore markets by 34%

Goal:

Protect the environment:

Achievements:

1. Initiated program to certify forest management environmental system to ISO 14001 standards

Goal:

Build shareholder value:

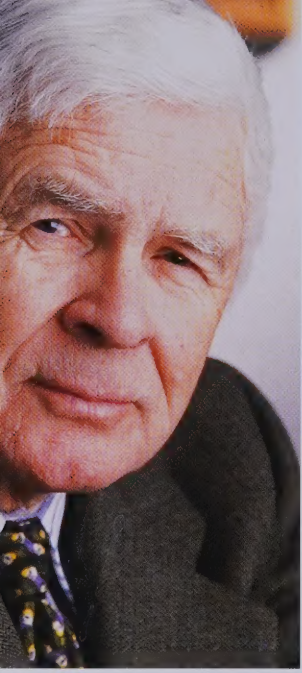
Achievements:

1. Completed share buy-back program of 1.9 million shares
2. Made dividend payments of \$0.50 per share



Our objective is to maintain our position as one of the lowest cost producers of wood products in North America. We accomplish this by setting rigorous goals for ourselves and holding ourselves accountable for achieving them. In spite of difficult market conditions in the latter part of the year, it was a year of significant achievements in meeting this objective. Our success is directly the result of the dedication and teamwork of people throughout Slocan.

vements



Chairman's Report to Shareholders, Employees and Communities

The last two years have shown us the highs and lows of the lumber business - and the importance of having sound fundamentals in a cyclical business. Very strong results carried through from 1999 into the first half of the year 2000. However, in the second half of the year, we experienced some of the lowest lumber prices in years. Despite this, we were still able to remain profitable for the year. This was due to our continued emphasis on sound business fundamentals in combination with the cost savings programs that have been an extra focus of our Company over the past two years. We have also continued our ongoing policy of reinvesting capital in our existing asset base so that it always has leading-edge technology.

Our Focus 250 strategy (designed to keep us profitable at a selling price of US\$250 per thousand board feet) was a key contributor to our relatively strong performance in 2000. Given that lumber prices have fallen substantially below the level of US\$250, the fact that we have remained cash positive in our operations is a testimonial to the success of our strategy and the hard work of everyone in Slocan to implement cost reductions throughout our operations.

We believe that our performance in 2000 shows that we are very well positioned to compete in the difficult market conditions which now face the lumber industry in North America. We are also confident that our performance and results will improve significantly as demand for our products increases in the future.

A very significant part of our management planning in recent years has been to improve our financial position by reducing debt and building our equity. We were able to do that through 1999 and into 2000, and this has also helped us to weather the present difficult market conditions with the security of knowing that we have substantial available cash reserves.

During 2000, we were able to reward our shareholders for the strong results in 1999 and the first part of 2000. In addition to restoring our normal dividend of \$0.075 per share on a quarterly basis, we paid two special dividends of \$0.10 per share for a total of \$0.50 per share for the year.

We have also applied some of our healthy cash position to a normal course issuer bid to buy back approximately 5% of our outstanding shares. The bid was announced on July 26, 2000 and by December 31, 2000, we had completed our purchase of 1,910,000 shares at an average price of \$8.48. These purchases were made at substantially below the prevailing price of Slocan shares in the latter part of 1999 when lumber markets were strong. We believe our shareholders will see the benefit of this successful bid as markets recover.



During 2000, we took an important step in our plans to access the timber resources available to us in northern B.C. As part of our CTMP pulp operations, we have for several years had the ability to obtain harvesting rights for 500,000 cubic metres of aspen fibre in the Fort St. John region of B.C. to enable us to expand our pulp facility. However, this could not be justified by the economics which would require a major capital investment.

In 2000, we received approval from the provincial government to apply a substantial portion of these timber resources to a new oriented strand board (OSB) plant to be built in the region. After considering alternatives, including the construction of our own plant, we determined that the best approach was to join with Louisiana-Pacific Canada Ltd. (L-P) to construct a bigger, world class facility with an annual capacity of approximately 700 million square feet of OSB. This bigger facility will achieve economies of scale and enable us to be a more efficient and competitive participant in this growing segment of the wood products market. Also, we get the benefit of sharing the costs and risks of this undertaking with L-P, which is a significant manufacturer and supplier of OSB in North America. This is an example of a strategic alliance that will benefit from the respective strengths of two strong companies in a globally competitive market.

The United States remains a principal market for our lumber. On March 31, 2001, the Softwood Lumber Agreement between Canada and the United States expired. During the last five years, this Agreement has limited the volume of exports of Canadian lumber, including Slocan's, through a quota mechanism with escalating duties above permitted levels. In early April, 2001 after the expiry of the Agreement, the U.S. Coalition for Fair Lumber Imports and other parties launched a trade action in the United States seeking punitive duties on Canadian lumber imported into the U.S. based on allegations of illegal subsidies and dumping by Canadian producers. The allegations are being denied and opposed by the Canadian industry, including Slocan. We will continue to be involved in and support the negotiations regarding a responsible solution to the current dispute in the coming months. However, if a resolution is not reached, Slocan's and other Canadian producers' lumber could be subjected to countervailing or anti-dumping duties, export taxes or other restrictions on access to the U.S. market, any of which could have a significant impact on our business. The dispute resolution process could be lengthy if a compromise is not reached.

At our last Annual General Meeting, we told you that your Board of Directors was particularly focused on various alternatives to enhance shareholder value. Let me assure you that this has been a continuing priority of the Board throughout the year. We have considered a number of alternatives, some of which may yet prove to be attractive. We have concluded that the best strategy for Slocan at the moment, in view of the challenges facing the wood products industry and prevailing market sentiment, is to run our existing asset base in the best way possible, generating the maximum

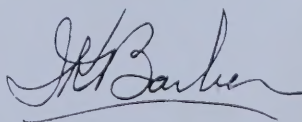
amount of cash for our Company and our shareholders. At the same time, we must stay alert to any opportunities that might develop. We have built our Company on this strategy and will continue this thinking into the future.

We continue to maintain a prudent capital expenditure program which keeps our assets in optimum condition with sensible productivity enhancements. We remain focused on reducing our debt levels, plus retaining a healthy cash balance. We intend to continue to operate in this fashion.

This year was also notable for the appointment of our new Chief Executive Officer, Jim Shepherd. We recruited Jim to join our executive team in 1999 and since then he has had a good opportunity to become familiar with our operations. Consistent with our previously announced succession plan, Jim became Chief Executive Officer on July 1, 2000. Jim's extensive background in the forest industry has been very helpful in navigating today's challenging market conditions.

I also want to recognize some changes in our Board of Directors. At the end of 2000 we were very pleased to welcome Mr. Stephen Jarislawsky as an addition to our Board. Stephen is a prominent Canadian and member of the investment community. At our upcoming Annual General Meeting, we are also proposing three other new members for election as directors: Mr. William Corcoran, Mr. Michael Korenberg and Mr. Jim Pattison. These individuals will bring valuable experience in the investment and business spheres and we look forward to their valuable contributions in representing the interests of our shareholders. We also want to express our great appreciation for all the time and effort devoted to helping Slocan by those Board members retiring from office as directors at the Annual General Meeting: Messrs. George Edgson, Ron Price, John Tennant and Terry Upgaard. Ron Price in particular warrants a special comment of gratitude for his consistent contributions to our success at Slocan for over 20 years, starting with his significant involvement in establishing our Company in 1978 and continuing today.

Finally, let me give my sincere thanks to all our employees and independent contractors, and to members of all the local communities in which Slocan operates. Your contributions enable Slocan to continue to succeed, in good markets and in bad. We are very grateful for your continued support.



I.K. Barber
Chairman



Jim Shepherd
President & CEO

performance

President's Discussion of Operations

Sustaining high performance

In 1999, Slocan out-performed the 100 largest forest companies in the world. According to a PricewaterhouseCoopers survey, Slocan had the highest return on capital employed and made the best improvement in profitability over the previous year.

Although strong lumber and panel prices contributed much to our success in 1999, our industry leadership proves that we have the right fundamentals. Of prime importance is our access to one of the largest supplies of high quality timber of any forest company in the Province of British Columbia. These fundamentals are the basis for the income generating capacity of the Company.

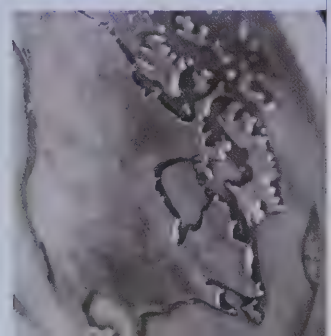
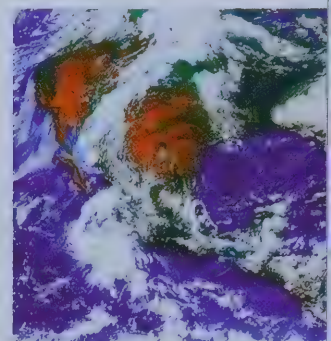
While 2000 was a very different year from 1999, Slocan remained profitable. An historically lean, flat operating structure and aggressive focus on efficiency and cost control has enabled us to stay firmly focused on fine tuning every facet of our business. But even with these building blocks for profitability in place, we recognize that we have more work ahead.

How do we keep meeting our goals and improving our results? First, we have set challenging and measurable objectives that engage everyone at Slocan, including our contractors. Second, we have

developed a strong, efficient organization with an equally strong people focus. At Slocan, loyalty, respect and teamwork make the difference. And third, we have an unremitting attention to the last detail. When the margins required to succeed are narrow, the smallest details are important.

These three principles, combined with our strong fundamentals, are the driving force behind our strategy moving forward. We set tough targets through a demanding management and planning system that requires superior results. In the last three years, we significantly improved our strategic and financial planning capabilities. This allowed us to better evaluate each operating unit, establish realistic targets and measure results. To ensure continuous improvement throughout Slocan, managers take responsibility for aggressive yet achievable performance goals.

Here's our corporate strategy, here's how we're achieving it and how we're overcoming obstacles in our way. In future, we will tinker with it, change it and bend it to best take advantage of new opportunities.





Costs

“Success in any commodity business requires constant attention to cost reduction.”

In our view, the key to Slocan's success is ensuring operations remain profitable even during down turns in the commodity cycle. In our 1999 annual report, I described a company wide strategy called Focus 250, intended to ensure profitability when lumber prices hit a low of US\$250 per thousand board feet, as they did in 1998. We set similar targets for plywood, OSB and pulp.

Every month, divisions compare their unit costs to the target. These targets were very specific and measurable. While prices in the latter part of 2000 fell below the level US\$250 as a result of the general slowdown in the US economy and other factors, our continued profitability demonstrated that we accomplished what we set out to do.

In 2001 our efforts have continued and we have set a new target to reduce costs even further, enabling us to remain profitable at levels below US\$250 per thousand board feet.



Mike Madriga
Senior Vice-President,
Operations

“In the past, organizations concentrated mainly on what they saw in front of them. Today, we must improve our present processes while at the same time building for tomorrow.”

“Aggressive, strategic investment in the latest proven technology will increase profitability.”

In 1999, a \$60 million capital program was initiated as a key part of our strategy to increase profitability. But we haven't stopped there. In a reasonable business climate, we will continue to make investments in our core business that strengthen and build the Company.

Demand for oriented strand board continues to grow in our markets in North America and Asia. A joint venture agreement with Louisiana-Pacific Canada Ltd. to construct one of the largest oriented strand board plants in the world will give us the added capacity to quickly benefit from this opportunity. Our proportionate share of the production from this plant, plus the increased output from our PolarBoard OSB plant, will make Slocan a strong force in both markets.

We responded to changing markets in Asia with new investments at both the Uneeda Wood Products Division and the Taylor Pulp Division. Both investments were part of our \$60 million capital program and resulted in an expansion in the variety of products Slocan now has available for its customers.

Added flexibility has been built into the pulp mill so it can now switch between the production of hardwood and softwood CTMP pulp to take advantage of changing market demand. Also in 2000, the world's largest wood laminating beam facility was constructed at Uneeda. This new facility will use lumber primarily from Slocan's sawmills to produce beams initially for the house construction industry in Japan and later for the United States industry.

In 2001, our strategy to increase revenue will include:

- increasing the capacity and efficiency of existing operations;
- increasing the production of higher value products;
- investigating new business relationships to expand our presence in the wood products market; and
- exploring new acquisitions in our core business both inside and outside BC.

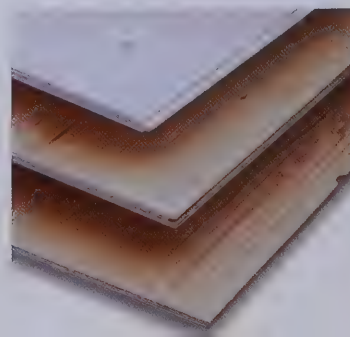
“A safe and positive work environment will lead to greater employee contributions and improve company performance.”

Skilled employees, able to contribute effectively in an ever-changing work environment, are harder than ever to find and keep. Despite the quality and stability of our workforce, we know that we must excel at attracting and retaining skilled workers to compete in today's high-tech, highly specialized industry. If people know they have input in to what we do, they are more likely to work at understanding how they can contribute to improved performance.

We believe we can create an accident-free workplace and positive relationships throughout Slocan by continuing to:

- share information;
- ensure consistency of actions;
- communicate openly whether the news is good or bad;
- accept criticism when we are wrong and share praise when we are right; and
- follow through with our commitments.

Changes to our safety program resulting from our 2000 company-wide audit lead directly to improvements in our safety performance. In 2001, we will again audit all our operations to further refine our safety strategy. New approaches to enhancing the skills and contributions of all Slocan employees will result from our current human resource development initiative.



Investment



Jon Clutterham
Vice-President, Business Development

"In this new business environment, those who are quickest to sense change and capitalize on new opportunities will be rewarded."

Jim Barber
Vice-President, Operations



"Change is a continuous journey rather than a one-time event and something we believe we must do with people. When everyone takes an active role in shaping the company, extraordinary things happen."



Terry Upgaard
Vice-President
Sales & Marketing

"We are constantly working at new ways to provide greater value for our customers."

"In a world where customer loyalty is as fleeting as the click of a mouse, customer retention requires constant attention."

We want customers and prospective customers to understand how Slocan can add substantial value to their business. That means soliciting their input, anticipating their needs and using their input to develop truly responsive customer service strategies.

Technology has brought companies and their customers closer together. Today's customers have much greater power to communicate their choices and move quickly from companies who do not deliver, to companies who can deliver. In 2000, we asked customers how we were doing. The survey, conducted by an outside consultant, showed we do well in some areas, but we have room to improve in others.

To improve customer service in 2001 we will:

- further strengthen our sales staff to ensure we continue to meet customer expectations;
- provide customers with the option of buying wood products over the internet; and
- rebuild our internet homepage to give customers information on products and prices and enable them to track shipments.

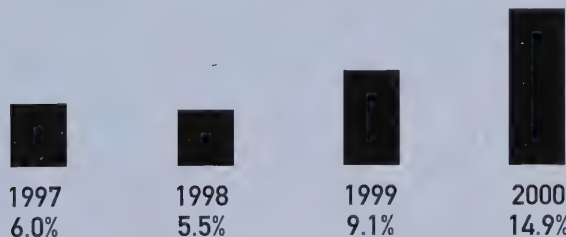
“Our goal is to aggressively capitalize on continued market opportunities in Asia and to deliver on our value-adding strategies.”



While the North American housing market continues to be our top priority, it is increasingly important that Slocan build a strong presence overseas. We have aggressively pursued opportunities in Asia and are now recognized as one of the region's major suppliers.

To continue this marketing thrust in 2001, we will:

- expand our production of laminated beams for the housing industry in Japan; and
- increase our efforts to build a strong presence in other Asian countries.



Lumber and panel shipments to markets outside of North America as a percent of total shipments



**“Today, we work harder than ever
to balance the needs of the environment
and society across a complex and relatively
untouched range of ecosystems.”**

Our interior forests pose both challenges and opportunities faced by few other countries in the world. We have an extraordinary diversity of ecosystems which we are challenged to manage for a sustainable supply of timber while preserving the full range of natural diversity.

During 2000 we continued to develop new approaches to forest management as part of our Innovative Forest Practices Agreement (IFPA) in the wet-belt forest area of the province's southern interior. Part of this initiative includes developing measurable indicators for sustainable forestry. We also entered into a second IFPA in the lodgepole pine forests of the central interior and a special pilot project

in our operations in the northern boreal forests. In these same forests, we are also involved in the second year of a \$1 million forest research program testing new forestry methods intended to mimic natural disturbances such as fire, insect infestations and wind damage.

During 2000 we enhanced our woodlands environmental management system to ready it for international certification. We also completed a comprehensive employee and contractor training program and began preparations for regular, third party audits of all our woodland activities as required under certification.

To further protect the environment, in 2001 we will complete the certification of all our woodlands operations to ISO 14001 standards. This is a globally recognized standard for environmental management systems developed by the International Organization for Standardization.

"If a company has the opportunity to work in provincially owned forests, it should share some of the benefits with its neighbours."

One of the central issues facing all companies today is how they define their relationship to their communities. Companies with effective community relations maintain the human touch.

Historically, Slocan has worked hard to be a good neighbour, keeping communities and stakeholders informed of our activities and soliciting their input into forestry plans. We believe that good corporate citizenship must be an integral part of our overall strategy.

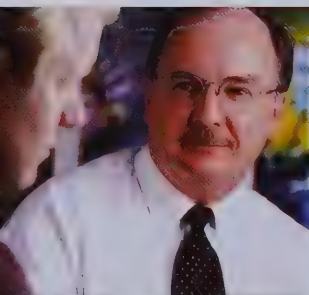
In 2001, Slocan will continue to focus on its own backyard, to carefully choose the community-based projects we plan to support and stick with them. We will also continue our broad program of consultation with all communities.



Julius Juhasz
Vice-President,
Forest Resources

"While our business environment changes daily, climate and biodiversity change over many centuries. We understand that nature defines the ultimate limit of what's possible in our business environment."





Terry Hodgins
Vice-President
& Financial Officer

"We must constantly improve every aspect of our business, so we are better tomorrow than today, better next year than this year; there is simply no standing still."

"A company that remains profitable in today's business environment will exceed expectations when markets improve."

Slocan welcomes investors with high expectations. In 1999, we were the world's top performing forest company. In 2000, with dramatically lower product prices, we remained profitable despite declining product prices. Going forward, shareholders need to know we remain committed to the basic operating strategies that have made this Company strong. But at the same time these strategies are flexible and continue to evolve in accordance with accelerating changes in the marketplace.

First of all, our strategy is to grow only when markets are there and investment makes sense. Second, we will maximize existing assets while looking out for new acquisitions. Third, while basically a commodity producer, we will continue to seek out and take advantage of value adding opportunities. Fourth, we are firmly focused on cost control. Finally, Slocan is environmentally responsible and does more than simply meet its regulatory requirements. We believe we have a local and a global social obligation to protect the environment.

In closing

We are satisfied with our progress in 2000. In 2001, we will continue work on our strategic goals building a company that meets the expectations of investors, customers, employees and the public.

I want to thank our shareholders and customers for their continued support and interest in Slocan's vision and future. We have not forgotten that the ongoing realization of that vision is the result of outstanding efforts by employees and contractors who work with us.

Jim Shepherd
President & CEO





at a glance

"Concentrating on what we do best"

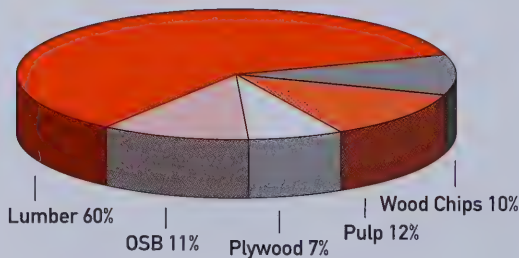
Lumber and panel products are the strengths of Slocan. And it has been a continuous strategy of never straying far from these strengths that sets Slocan apart. Over the last 23 years, Slocan has grown into one of the largest and lowest cost lumber producers in Canada with a total of 10 modern sawmills located throughout the interior of B.C.

Manufacturing Facilities

Lumber

Radium 120 million fbm	Slocan 100 million fbm	Vavenby 170 million fbm	Valemount 90 million fbm	Quesnel "A" Mill 150 million fbm	Quesnel Specialties 25 million fbm	Plateau 300 million fbm
Dimension lumber, Japanese grades, MSR, boards, SPF, fir/larch	Dimension lumber, metric sizes, western red cedar products, boards, multi-species	Dimension lumber, Japanese grades, SPF, Douglas fir	Specialty lumber for Japanese market, studs	Dimension lumber, Japanese grades, MSR, boards, studs	Specialty lumber products for Japanese market, studs, bed frame stock	Dimension lumber, Japanese grades, MSR, studs
"Curved" sawing technology increases lumber recovery	Computer optimized band mill cuts high value lumber from large logs	Specializes in production of long length lumber to 24'	Manufactures lumber for export markets from interior wet-belt timber	Specializes in processing lodgepole pine	Processes small lodgepole pine timber	One of the largest sawmills in B.C.

2000 REVENUE GENERATED
BY EACH PRODUCT GROUP



Formed Company and acquired Slocan sawmill and timber harvesting rights

Acquired Quesnel sawmill and timber harvesting rights

Acquired Vavenby and Valemount sawmills and timber harvesting rights

Acquired Quesnel Specialties sawmill and timber harvesting rights

Acquired Tackama sawmill and plywood mill and timber harvesting rights

1978

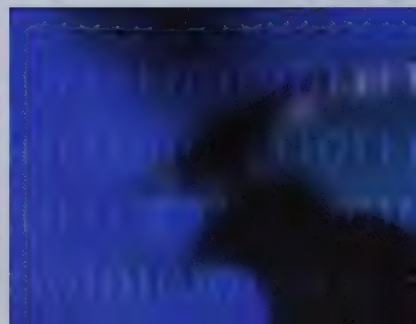
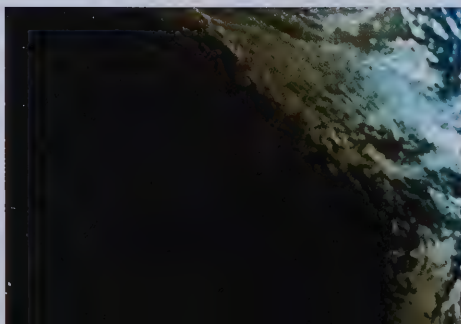
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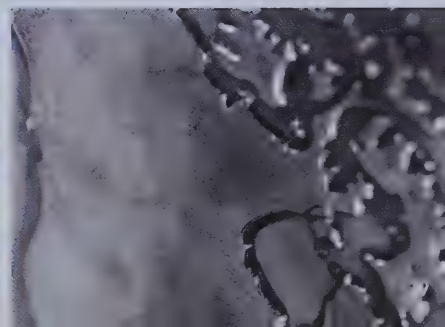
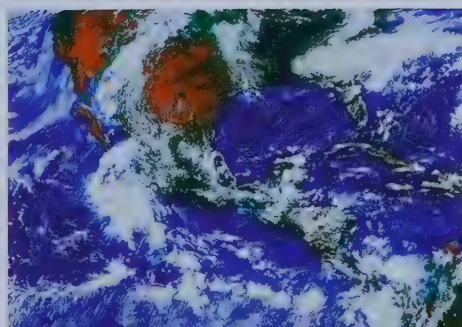
History of Growth



Contributing to the success of the Company is a value added lumber facility that includes a laminated beam plant, an oriented strand board plant, a plywood mill and a CTMP specialty pulp mill. All facilities are managed with an unwavering focus on the basics and a relentless commitment to increase production of higher value products.

At the heart of Slocan's business is a sustainable supply of high quality timber, providing the mills with an annual allowable cut of approximately 5.1 million cubic metres.

		OSB	Plywood	Value Added	Wood Chips	Pulp
Mackenzie (2 mills) 25 million fbm	Tackama 120 million fbm	PolarBoard 510 million sq.ft. (3/8" basis)	Tackama 300 million sq.ft. (3/8" basis)	Uneeda 35 million fbm	10 sawmills 800,000 BDUs	Taylor 240,000 tonnes
Dimension lumber, Japanese grades, MSR	Studs, boards	Variety of thicknesses and sizes	Industrial and specialty plywood products	Laminated beams, finger jointed products, remanufactured products, custom processing	Wood chips for the production of pulp	Chemi-thermo mechanical pulp ranging from low brightness
Installed a new planer and MSR capacity that significantly increased total Slocan MSR production		Produces pure aspen OSB	Installed new veneer lathe that uses latest technology to peel down to 2" core		One of the largest producers of wood chips in the Province	newsprint grades to high brightness bleached tissue
			Uses aspen and white spruce			Produces both softwood and hardwood chlorine-free pulp



5 Year Review

(in thousands of dollars except per share amounts)	2000	1999	1998	1997	1996
Consolidated Statement of Earnings					
Sales	\$ 925,863	\$1,085,813	\$ 936,232	\$ 945,931	\$ 802,839
Costs and Expenses					
Cost of products sold	715,615	774,479	819,903	801,087	667,290
Depreciation and amortization	56,971	56,171	69,766	68,110	51,682
Selling and administration	25,592	24,584	32,710	28,687	27,453
	798,178	855,234	922,379	897,884	746,425
Earnings from Operations	127,685	230,579	13,853	48,047	56,414
Interest	(27,382)	(45,500)	(64,562)	(45,895)	(30,200)
Loss on sale of investment in Finlay	-	(11,009)	-	-	-
Foreign exchange gain on US \$ debt	-	10,299	-	-	-
Write off of deferred changes	-	(634)	(49,090)	-	-
Asset write downs	-	-	(133,500)	-	-
Earnings before income taxes	100,303	183,735	(233,299)	2,152	26,214
Income Tax Expense (recovery)					
Current	58,858	3,946	1,050	16,449	(4,738)
Deferred	(19,585)	71,472	(75,127)	(14,742)	16,144
	39,273	75,418	(74,077)	1,707	11,406
Earnings before equity in earnings (loss) of affiliates and non-controlling interest	61,030	108,317	(159,222)	445	14,808
Equity in earnings (loss) of affiliates	173	100	(326)	21	(575)
Non-controlling interest	-	-	1,733	1,645	3,397
Net Earnings (loss)	\$ 61,203	\$ 108,417	\$(157,815)	\$ 2,111	\$ 17,630
Net earnings per common share –					
Basic	\$ 1.62	\$ 2.84	\$ (4.14)	\$ 0.06	\$ 0.57
Diluted ⁽¹⁾	\$ 1.59	\$ 2.80 ⁽¹⁾	\$ -	\$ 0.06	\$ 0.57 ⁽¹⁾

(1) Restated to reflect change in accounting standard



Annual Statutory Report



2000

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Annual Information Form



April 23, 2001

Glossary

Certain terms used throughout this Annual Information Form are defined below:

"AAC" means allowable annual cut, the volume of timber which the holder of a tree farm licence, a forest licence or a timber sale licence may harvest under the licence in a given year;

"ADMt" means an air dried metric tonne of pulp with a moisture content of 10% or less;

"BDU" means a bone dry unit of oven-dried wood fibre, equivalent to 2,400 pounds;

"Common Shares" means any of the authorized common shares of the Company;

"Company" means Slocan Forest Products Ltd., a British Columbia company;

"CTMP" means chemi-thermo mechanical pulp, which is pulp produced from wood chips using heated mechanical and chemical (non-chlorine) processes to break bonds between wood fibres;

"Donohue" means Donohue Forest Products Inc., an integrated forest products company, incorporated in Quebec;

"EBITDA" means earnings before interest, taxes, depreciation and amortization;

"Fibreco Export" means Fibreco Export Inc., a British Columbia company in which Slocan has approximately a 21% equity interest;

"Finlay" means Finlay Forest Industries Inc., a British Columbia company;

"J-grade" means high quality dimension lumber specifically graded for the Japanese 2x4 house construction industry;

"Louisiana-Pacific" means Louisiana-Pacific Canada Ltd., a British Columbia company;

"MFBM" means thousand foot board measure;

"MSR" means machine stress rated, a method of rating the strength of lumber for use in building applications such as engineered roof trusses;

"Newsprint" means a printing paper whose major use is in newspapers;

"OSB" means oriented strand board, a panel board product used in the construction industry;

"Plateau" means Plateau Forest Products Ltd., a British Columbia company which is a wholly owned subsidiary of the Company;

"Pulp Mill" means the CTMP mill owned by Slocan located at the Taylor Pulp Division in Taylor, British Columbia;

"Right" means a Common Share purchase right issued pursuant to the Company's Shareholder Rights Plan;

"Senior Notes" means the U.S. dollar denominated senior notes issued by Slocan;

"Slocan" means the Company and its subsidiaries, and, unless the context otherwise requires, includes Slocan Group;

"Slocan Group" means the British Columbia general partnership comprised of the Company, Tackama and Plateau;

"Specialty paper" means high bright and specialty printing paper, which differ from newsprint in brightness and surface characteristics and whose major use is in higher print quality publications;

"SPF" means lumber produced from the spruce, pine and balsam fir species of trees;

"Tackama" means Tackama Forest Products Ltd., a British Columbia company which is a wholly owned subsidiary of the Company; and

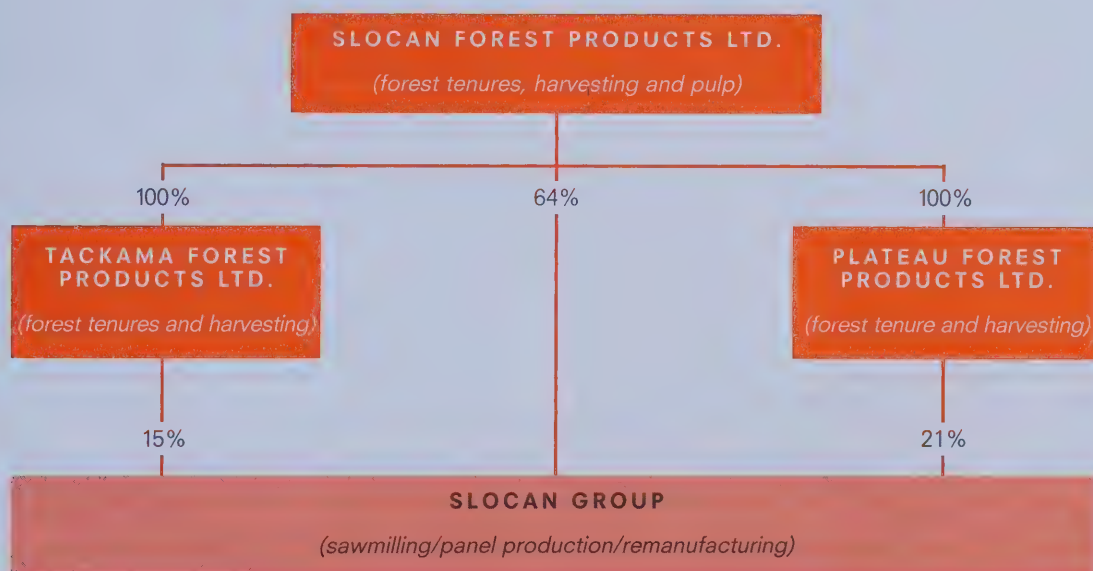
"TMP" means thermo mechanical pulp, which is pulp produced from wood chips using heated mechanical processes to break the bonds between wood fibres.

The Company

The Company was incorporated on May 2, 1978, under the Company Act (British Columbia). Its principal and head office is located at #240 - 10451 Shellbridge Way, Richmond, British Columbia, V6X 2W8. Its registered office is located at 1600 - 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2.

The chart below shows the Company's principal operating subsidiaries and the interests of the Company in Slocan Group, as well as their primary products or activities. The percentages

on the chart refer to the percentage of voting securities beneficially owned or over which control or direction is exercised by the Company (except for Slocan Group, where the percentages refer to the partnership interests held). Each of the companies shown below was incorporated under the Company Act (British Columbia). The agreement constituting Slocan Group is governed by the laws of British Columbia.



 Indicates non-corporate entity

In June 2000, Slocan established a joint venture corporation, Slocan-LP OSB Corp., with Louisiana-Pacific. The joint venture is owned equally by Slocan and Louisiana-Pacific and has been established to construct a new OSB plant in the Fort St. John area of British Columbia with an expected annual production

capacity of 700 million square feet of OSB on a 3/8 inch basis. (See "Lumber and Panel Manufacturing").

The Company also has other inactive subsidiaries as well as investments in certain other non-subsidiary corporations that are not shown on the chart above. See "Other Investments".

Business of the Company

Profile of Slocan

Slocan is one of the largest forest products organizations in British Columbia, with timber resources and production facilities throughout the interior region of the Province and a remanufacturing facility near Vancouver. Under forest tenures granted by the Province of British Columbia, Slocan has the right to harvest a total of approximately 5.1 million cubic metres of timber annually, including rights under a pulpwood agreement held by Slocan relating to its OSB plant. In addition, Slocan obtained an amendment from the Ministry of Forests to allow it to use up to 500,000 cubic metres per year from the pulpwood agreement it holds in the Fort St. John area in connection with its existing Pulp Mill and the recently announced new OSB plant to be constructed in that area in a joint venture with Louisiana-Pacific. (See below, "Timber Resources" and "Pulp and Paper Manufacturing - Pulp Mill Operations - Fibre Supply").

Slocan presently owns and operates ten sawmills, a plywood facility, an OSB plant, a pulp mill and a lumber remanufacturing and laminated beam facility in British Columbia. The combined total annual productive capacity of these facilities is approximately 1.5 billion board feet of lumber, 275 million square feet (3/8 inch basis) of plywood, 800,000 BDUs of wood chips and 240,000 ADMts of pulp. Slocan's OSB plant at Fort Nelson, British Columbia has an annual capacity of approximately 510 million square feet of OSB on a 3/8 inch basis. The custom processing and remanufacturing facility located near Vancouver, British Columbia has an annual capacity to produce approximately 30 million board feet of specialty lumber, 20 million board feet of finger jointed lumber and to kiln dry approximately 36 million board feet of lumber. This facility is also able to produce up to approximately 35,000 cubic metres of laminated beams.

In June 2000, Slocan established a joint venture corporation, Slocan-LP OSB Corp., with Louisiana-Pacific. The joint venture is owned equally by Slocan and Louisiana-Pacific and has been established to construct a new OSB plant in the Fort St. John area of British Columbia. The plant is expected to have an annual production capacity of 700 million square feet of OSB on a 3/8 inch basis. The construction of the plant is expected to cost \$200 million and to be completed during 2002. The Company and Louisiana-Pacific are currently in the process of selecting a site for the plant before seeking to obtain the required environmental approvals. (See "Lumber and Panel Manufacturing").

Unless stated otherwise, the disclosure in this Annual Information Form excludes Slocan's 49.9% proportionate interest in Finlay's assets and operations which was disposed of in August 1999. (See "Pulp and Paper Manufacturing - Finlay Operations" and "Other Investments - Finlay Forest Industries Inc.").

History of Slocan

Since its formation in 1978, the Company has acquired significant timber resources and production facilities, mostly in the interior region of British Columbia. The following is a summary of acquisitions, significant projects and transactions undertaken by the Company in the period from 1978 to 2000:

- May 1978: acquired the Slocan Division;
- March 1979: acquired the Quesnel Division's main sawmill operations;
- December 1985: acquired the Radium Division;
- May 1987: acquired Clearwater Timber Products Ltd., which owned the Vavenby and Valemount Divisions;
- July 1987: acquired the Quesnel Division's specialty sawmill operations;
- October 1989: acquired the Tackama Division;
- May 1991: acquired Fibreco Pulp Inc. and its subsidiary, which owned an 80% joint venture interest in the Pulp Mill;
- April 1993: the Company and Tackama formed a general partnership under the management of the Company to carry on their respective sawmill and plywood business under a common name, "Slocan Group". The Company's and Tackama's sawmill and plywood operations were transferred to the general partnership in September 1993;
- May 1993: acquired the Plateau Division;
- April 1994: together with Donohue, acquired the Finlay operations;
- December 1994: Plateau joined the Slocan Group and transferred the assets comprising its sawmill operations to the general partnership effective January 1, 1995;
- December 1995: completed equipment and process modifications to increase the operating efficiency and production capacity of the Pulp Mill;
- January 1996: completed construction of the PolarBoard Division's OSB plant and completed construction of a TMP facility at the Finlay operations;
- September 1996: acquired the Uneeda Wood Products Division, a custom lumber processing and remanufacturing facility whose operations were transferred to and are now carried on by Slocan Group;
- June 1997: acquired the Mackenzie Operations. The Mackenzie Operations sawmilling assets were transferred to, and its operations are now carried on by, Slocan Group;
- December 1998: obtained Fibreco Export's 20% joint venture interest in the Pulp Mill at the Taylor Pulp Division, giving Slocan a 100% ownership interest in the Pulp Mill effective January 1, 1999;
- August 1999: disposed of the Company's interest in Finlay to Donohue;
- June 2000: formation of a joint venture company with Louisiana-Pacific, Slocan-LP OSB Corp., to build and operate

a 700 million square feet OSB plant in the Fort St. John area of British Columbia; and

- June 2000: completed construction of a laminating facility at the Uneeda Wood Products Division with an annual capacity of 35,000 cubic metres.

Timber Resources

The timber supply for Slocan's sawmilling, OSB and plywood operations is obtained primarily by harvesting under forest tenures granted by the Province of British Columbia. Forest tenures presently held by Slocan provide for harvesting rights totalling approximately 5.1 million cubic metres of timber, including 610,000 cubic metres of timber Slocan has the right to obtain under a pulpwood agreement relating to its OSB plant. In addition, Slocan has obtained an amendment to its pulpwood agreement held by it with respect to the Fort St.

John area to provide the Company with access to up to 500,000 cubic metres of timber annually for use in connection with the Pulp Mill and the recently announced new OSB plant to be constructed in the area by Slocan and Louisiana-Pacific. (See "Pulp and Paper Manufacturing - Pulp Mill Operations - Fibre Supply".) Slocan also purchases timber for its operations, chiefly from operators under the British Columbia Small Business Forest Enterprise Program and other private sources. See "Timber Resources - Log Purchases."

Slocan is able to supply over 80% of the overall timber requirements for its facilities from its forest tenures. Total annual timber consumption by Slocan's operations in 2000 was approximately 6.6 million cubic metres (approximately 6.3 million cubic metres in 1999 inclusive of Slocan's proportionate share of Finlay's production until August 4, 1999). The "Timber Resources" table below shows the AAC and the actual cut by Slocan under its forest tenures as well as the volume of logs purchased by Slocan to supplement the timber supply for its operations for the last two years (including its proportionate 49.9% interest in the AAC and, until August 4, 1999, actual cut and purchases by Finlay).

Timber Resources

Thousands of cubic metres	2000	1999
Forest Tenures		
AAC		
Forest Licences	4,277	4,864 ⁽¹⁾
Tree Farm Licences ⁽²⁾	242	251
Pulpwood Agreements ⁽³⁾	1,110	1,110
Total	5,629	6,225
Actual Cut⁽¹⁾⁽³⁾⁽⁴⁾		
Forest Licences	4,359	4,244
Tree Farm Licences	228	299
Pulpwood Agreements ⁽³⁾	521	541
Total	5,108	5,084
Purchases		
Total	1,469	1,216

Notes:

- (1) Includes Slocan's proportionate 49.9% interest in a forest licence with an AAC of 1,174,342 cubic metres relating to the Finlay operation; Slocan sold this interest to Donohue on August 4, 1999.
- (2) In October 2000, the Government announced a 5% reduction (9,350 cubic metres) in the allowable annual cut for Tree Farm Licence 18 in the Clearwater forest district which specifically reduced the allowable annual cut allocated to Slocan to 167,152 cubic metres. Slocan does not anticipate that the impact of this reduction will be significant to the operations at Slocan's Vavenby Division since Tree Farm Licence 18 only provides a portion of the timber required for the sawmill with the remaining being provided from another forest licence and private purchases.

- (3) Includes a pulpwood agreement granted in connection with the PolarBoard Division's OSB plant, under which Slocan has the right to obtain timber sale licences to harvest up to 610,000 cubic metres of deciduous timber annually for use at that facility. See "Lumber and Panel Manufacturing - PolarBoard Division (OSB Plant)". Also includes a pulpwood agreement relating to the construction of the OSB plant or the expansion of the Pulp Mill. Under an amendment obtained from the Ministry of Forests, Slocan has the right to obtain timber sale licences to harvest up to 500,000 cubic metres of aspen and other deciduous timber annually for use in connection with the Pulp Mill or the recently announced new OSB plant to be constructed by Slocan and Louisiana-Pacific in the Fort St. John area. See "Pulp and Paper Manufacturing - Pulp Mill Operations - Fibre Supply".
- (4) All 2000 actual cut figures are estimates.

Forest Tenures

Approximately 95% of all timberlands in the Province of British Columbia are Crown lands. Subject to the British Columbia Forest Act and Forest Practices Code of British Columbia Act and related regulations, rights to harvest Crown timber may be granted on behalf of the Crown in the form of forest tenures. The forms of forest tenures held by Slocan are tree farm licences, forest licences and pulpwood agreements. Harvesting under these tenures is subject to the holder's compliance to the satisfaction of the Ministry of Forests with obligations regarding forest management, harvesting and reforestation.

A tree farm licence is an area-based forest tenure that is granted for a term of 25 years and is replaceable after five years if the term commenced after July 1, 1993, or 10 years, if the term commenced before July 1, 1993, for a further 25-year term, subject to satisfactory performance by the licensee of its harvesting and reforestation obligations. The licensee undertakes to manage the forestlands within the tree farm licence to produce an annual harvest in accordance with a management plan approved by the provincial Chief Forester.

A forest licence is a volume-based forest tenure that authorizes the harvest of a specified volume of timber each year from a particular timber supply area. Forest licences normally have a term of 15 years and are generally replaceable every five years for a further 15 years, subject to satisfactory performance by the licensee of its harvesting and reforestation obligations.

A pulpwood agreement grants its holder a right to obtain timber sale licences to harvest timber, up to a specified maximum annual volume, from timber stands within a particular pulpwood area. A pulpwood agreement generally requires the holder to construct, expand or continue to operate a timber processing facility. It also normally requires the holder to acquire suitable raw materials for the facility which are available at reasonable prices from other operations in a particular geographical area before it can obtain timber sale licences under the pulpwood agreement. The pulpwood agreements in both the Fort Nelson and the Fort St. John areas have 25 year terms, and are not replaceable.

The actual volume harvested under a tree farm licence and forest licence in any one year may vary up to 50% above or below its AAC, as long as the volume harvested over a five-year period is within 10% of the total allowable harvest level for that five-year period. Overcuts of more than 10% at the end of the five years result in a reduction in the allowable harvest level in the next five year period and may also result in penalties. Undercuts of more than 10% in the five year period may result in a reduction of AAC. Relief from AAC reductions may be granted if an undercut has resulted from circumstances beyond the control of the licence holder. Undercuts in a 5 year cut control period may also be carried forward into the next 5 year period under some circumstances.

As required by the Forest Act, as of December 31, 1996, the provincial Chief Forester determined an AAC for each tree farm

licence, and the Crown land in each timber supply area, in the Province. He is required to repeat such determinations every five years. The AAC reflects the timber conditions, regional and local economic and social interests and environmental considerations for these licenses and areas. The impact on Slocan of these determinations has not been material and is not expected to adversely affect its operations.

The Forest Act provides for a 5% reduction in the AAC upon change of ownership of a tree farm licence or replaceable forest licence or timber sale licence or a change in control of the holder of such a licence which is consented to or deemed to be consented to by the Minister of Forests. If such a change of ownership or change of control occurs without consent, the Minister may cancel the tenure without compensation or may deem consent to have been given and impose requirements and conditions. The Government of the Province of British Columbia has confirmed that tenure holders which implement certain job creation plans at their operations may be eligible for a reinstatement of this 5% reduction in AAC.

In the early 1990s, Slocan participated in a multi-party process organized by the Commission on Resources and Environment to consider land-use issues in the Cariboo-Chilcotin and Kootenay-Boundary regions. Slocan has forest tenures in those regions and sawmills at the Slocan, Quesnel and Radium Divisions.

In November 1997, the Government released a report on the implementation of a land use plan for the Cariboo-Chilcotin region. Slocan has not experienced any reduction in its timber supply in the Cariboo-Chilcotin region as a result of this plan nor does Slocan anticipate that it will have a material effect on the Quesnel operation located in this region.

For the Kootenay-Boundary region, the Government announced a land-use plan in 1995 and approved an implementation strategy in 1997 that delineated special land management regimes for the area. The Government has recently approved a higher level plan order for the Kootenay-Boundary region which took effect January 31, 2001. The higher level plan order makes forestry-related elements of the Kootenay-Boundary land-use and implementation plans, including wildlife and domestic watershed conservation measures and enhanced timber resource management zones, legally binding under the Forest Practices Code. Until the land use order is fully implemented, it is not possible to conclude what impact the order may have on Slocan's timber supply or on its Radium and Slocan Divisions in the Kootenay region, although the order is expected to result in some reduction in the overall AAC for the region, including Slocan's. The Government has indicated that the overall reduction in AAC in this region will be less than 10%.

Aboriginal Issues and Relationships

Aboriginal groups have claimed aboriginal title and rights over substantial portions of British Columbia, including areas where Slocan's forest tenures and operations are situated. Provincial



government policy requires that forest management and operating plans take into account and not unjustifiably infringe aboriginal rights and provides for consultation with aboriginal groups. Aboriginal groups have, at times, sought to restrict the Crown from granting or replacing forest tenures and other operating authorizations relating to tenures on lands claimed by them without their consent.

The Delgamuukw decision of the Supreme Court of Canada in December 1997, which confirmed the continued existence of aboriginal title and rights in areas of British Columbia which are not the subject of treaties, has resulted in increased demands from aboriginal groups. The decision has also resulted in some uncertainties as to the status of competing property rights, including existing forestry and other resource rights and land uses, which are not expected to be resolved in the near future. Pending resolution of these demands and uncertainties, Slocan expects that the process of obtaining government authorizations for its operations, and related consultations with aboriginal groups, may at times be affected. However, Slocan believes that cooperative arrangements, including employment opportunities and business relationships based on mutually beneficial, sound economic principles, can facilitate these processes.

In an effort to resolve outstanding aboriginal land claims within the province, the governments of British Columbia and Canada have to date been engaged in a process of treaty negotiation with aboriginal groups. Some of these groups have withdrawn from negotiations since the Delgamuukw decision and commenced litigation to pursue their claims.

One treaty has been completed between the Nisga'a Nation and the governments of Canada and British Columbia. It was ratified by the Nisga'a Nation and the Province of British Columbia, and legislation granting approval by the government of Canada, and bringing the treaty into effect, was passed in early 2000.

The Nisga'a Treaty provides for grant of fee simple title to a portion of the land within the traditional territory claimed by the aboriginal group and payment of compensation. The aboriginal government provided for by the Treaty has defined law-making powers over its lands and its members.

It is the policy of the British Columbia government that lands held in fee simple by third parties will not be affected by treaty negotiations and that the Province will respect the terms of all legal interests in Crown lands and resources including leases and licenses. However, where there are legal interests in Crown lands which, under a treaty, become treaty title lands, and where those legal interests have termination dates, or are subject to extensions or replacements, the Province will likely decline the grant of further interests, extensions or replacements. The Nisga'a Treaty contemplates that future rights and interests within the treaty title lands will be subject to negotiation with the Nisga'a government and to potential payment of fees, royalties

and other charges to the Nisga'a government.

The Nisga'a Treaty does not cover lands on which Slocan has any operations or forest tenures. However, in north-eastern British Columbia, treaty negotiations are progressing between the Kaska Dene Council and the governments of Canada and British Columbia. These negotiations could result in an agreement in principle within a year. Some of Slocan's operations and forest tenures in northern B.C. are located within the traditional territory claimed by the Kaska Dene Council. Slocan has been providing employment and business opportunities for the Kaska Dene in its woodlands and manufacturing operations for many years. In March 1998, Slocan and the Kaska Dene Council signed a letter of intent to undertake certain activities together and to work toward legally binding agreements to address mutual needs and interests. Slocan is optimistic that it can develop this type of mutually beneficial arrangement with aboriginal groups in its operating areas throughout the interior of the province.

To date, neither the ongoing treaty negotiations nor aboriginal land claims have had a significant impact on Slocan's forestry operations or the grant or renewal of its forest tenures and other operating authorizations, and all of its operating divisions continue to work with local aboriginal groups on business and employment opportunities.

Forest Management

Slocan is responsible for forest management on the lands under its forest tenures. All Crown timberlands on which Slocan carries out harvesting operations are required to be managed on a sustained yield basis.

Slocan's forest management activities on its tree farm licences are carried out in accordance with management plans that are submitted to the Ministry of Forests every five years and are subject to the Ministry's approval. These plans include proposed inventories of the forest resources, management objectives and strategies for meeting these objectives. Harvesting in any area is subject to Ministry of Forests approval of a forest development plan for the area.

Slocan carries out its forest management responsibilities through a staff of registered professional foresters and forestry technicians. Slocan's forestry staff supervises all aspects of forest management including Slocan's planning, road development, harvesting, reforestation and forest protection programs, as well as its programs to increase the yield of its forest lands and improve the quality of its timber resources.

To assist the Ministry of Forests in protecting forest resources, Slocan maintains a fire prevention and suppression organization. The Ministry of Forests undertakes regular surveillance activities to detect and appraise the presence, extent and significance of any forest insect or disease outbreak in its forest tenures or areas of operation. Slocan, together with other British Columbia forest companies, is presently working with the Ministry of Forests



to address the infestation of certain central interior forests in British Columbia by the mountain pine beetle. The Ministry and industry participants have been cooperating to identify infested areas and to implement certain counter measures to reduce the impact of the infestation, including the acceleration of harvesting of affected areas. Neither the pine beetle infestation nor any other forest insect or disease outbreak is currently creating any economically significant problems for Slocan.

The Forest Practices Code of British Columbia Act (the "Code") sets out a code of conduct for Crown forest tenures designed to protect fisheries, wildlife, biodiversity, cultural heritage, forest soils and special management zones. The Code also establishes detailed planning procedures and sets requirements for forest practices applicable to both licencees and the Crown. To encourage compliance with its provisions, the Code contains a system of penalties for contraventions, including AAC reductions. The severity of any penalty is dependent on the nature and frequency of contraventions. Contraventions can include violations by independent contractors performing work for licencees and may be determined by Crown authorities to have occurred notwithstanding appropriate efforts and reasonable "due diligence" on the part of the licencee.

Although a number of compliance issues arose for Slocan's forestry operations during 2000, none of these were material, and its operations were otherwise conducted in substantial compliance with the Code. Slocan did not experience any material increase in costs related to the Code in 2000, largely due to the familiarity of Slocan's personnel with the requirements of the Code gained over the last few years as well as reductions by the government in the Code's administrative burdens on licencees. However, because of the extent of the problems and costs which the forest industry has incurred as a result of the Code's implementation, the provincial government, together with representatives of the forest industry, including Slocan, continues to consider further modifications to the Code. Slocan is also continuing to participate in certain pilot projects, research projects and programs initiated by the B.C. government in the interior regions of the province which are designed to identify and implement on a trial basis alternative and more efficient means of managing forest resources and still provide resource protection equivalent to that contemplated by the Code.

Slocan has entered into arrangements to develop and test new forest management techniques with other forest companies where desirable to aid in the management of the forest resource. In June 1999, Slocan entered into a memorandum of understanding with Canfor Corporation providing for the two companies to work together to better utilize the forest resources, maximize natural synergies and optimize cost efficiencies with respect to operations in the Fort St. John and Prince George Timber Supply Areas, and on chip flows.

Forest Certification

Environmental awareness and concern about the sustainability of global forest management practices has led to the development of various registration and certification systems for the forest industry. Systems currently being applied in British Columbia include those developed by the International Organization for Standardization ("ISO"), Canadian Standards Association ("CSA"), the Forest Stewardship Council ("FSC") and the Sustainable Forestry Initiative ("SFI").

The Ministry of Forests announced in January 2000 that it would be developing a province-wide environment management system for the Small Business Forest Enterprise Program that would meet ISO 14001 registration requirements. See "Timber Resources - Log Purchases". Various certification systems would then be tested around the province in preparation for the entire small business program to move toward certification. A portion of Slocan's fibre requirements are met through purchases from independent operations working under the Small Business Enterprise Program. Certification initiatives by the Ministry of Forests are not expected to have a material impact on wood supply from this source.

Slocan's own environmental management system stresses local accountability and responsibility for meeting all regulatory requirements. Local reviews are supplemented with periodic audits involving outside consultants. As a first step towards ISO certification, Slocan began enhancing this system during 2000 to meet all ISO 14001 requirements. It is expected that Slocan's system will be registered under ISO 14001 by December 31, 2001.

Stumpage Charges and Reforestation

Stumpage charges are assessed by the Province of British Columbia on Crown timber harvested under the various forms of forest tenure.

In 2000, Slocan paid \$111.4 million (\$24.36 per cubic metre) in stumpage compared to \$114.1 million (\$24.85 per cubic metre) in 1999 (including Slocan's proportionate share of stumpage paid by Finlay up to August 4, 1999). In 2000, the Company's reforestation expenditures were \$17.8 million for areas logged during the year compared to \$15.5 million in 1999 (including Slocan's proportionate share of Finlay's costs up to August 4, 1999).

Timber Harvesting

Timber harvesting (which includes road construction, logging, and log transportation to Slocan's facilities) is done almost exclusively by independent contractors, the majority of whom have provided services to Slocan's operations for an extended period of time.

Log Purchases

Slocan supplements the supply of timber from its forest tenures by purchasing logs from operators under the Small Business Forest Enterprise Program and from other private sources. Under the Small Business Forest Enterprise Program, the Ministry of Forests makes certain volumes of timber available for harvesting each year by small operators, who generally sell the harvested timber to local sawmills. Timber cut by smaller operators in areas adjacent to Slocan's sawmills is often purchased by Slocan and used to supplement the timber supply available to those mills under its forest tenures.

Production Volume Summary

The volumes of products produced by Slocan's facilities (including its proportionate interest in Finlay's production until August 4, 1999) for the last two years are set forth below.

Production Volumes⁽¹⁾

Years ended December 31	2000	1999
Lumber	1,385	1,381
Plywood	213	176
OSB	429	433
Pulp ⁽²⁾	184,741	171,185
Paper		
Specialty Paper	-	12,037
Newsprint	-	40,711
Wood Chips	749,450	770,275

Notes:

- (1) Figures for lumber are in millions of board feet; plywood and OSB production are in each case in millions of square feet on a 3/8 inch basis; wood chip production is in BDUs and pulp and paper production is in tonnes.

All of Slocan's and, until August 4, 1999, Finlay's lumber operations operate two 8 hour shifts per day (except for the Tackama Division which operated one twelve hour shift per day in the last two months of 1999 and the first 10 months of 2000 and the Valemount Division, which operates one shift per day) and approximately 250 operating days per year subject to curtailments identified below. The Tackama Division's plywood facility operates two and one half 8 hour shifts per day, the PolarBoard Division's OSB plant operates two twelve hour shifts per day and the Pulp Mill and, until August 4, 1999, the Finlay paper operations operate 24 hours per day and approximately 350 days per year.

Sawmill production was curtailed at all mills during 1999 and 2000 due to quota constraints on shipments of lumber to the United States and lumber and plywood production was curtailed at all mills in 2000 due to the oversupply of lumber and panel products in the North American market. See "Lumber, Panel and Wood Chip Marketing and Distribution - Countervailing Duty".

- (2) Production at the Pulp Mill was curtailed at various times during the first quarter of 1999, during which time the mill operated only one line. Since April 1999 and during 2000, the Pulp Mill has operated at full capacity. See "Pulp and Paper Manufacturing - Pulp Mill Operations".

Lumber and Panel Manufacturing

Slocan presently owns and operates ten sawmills, one plywood facility and one OSB facility in the interior region of British Columbia. The total annual combined productive capacity of these facilities is approximately 1.5 billion board feet of lumber, 300 million square feet (3/8 inch basis) of plywood, 510 million square feet (3/8 inch basis) of OSB (which was increased from 440 million square feet as of August 2000) and approximately 800,000 BDUs of wood chips. Dry kilns and planing facilities are located at each of Slocan's sawmills, providing it with sufficient kiln and planing capacity to meet its production needs. Until August 1999, Slocan also had an equal 49.9% interest with Donohue in Finlay's two sawmills with an annual production capacity of 360 million board feet of lumber and 180,000 BDUs of wood chips.

The majority of lumber produced by Slocan's mills is construction and specialty grade dimension lumber that ranges in size from one by three inches to two by twelve inches and in lengths from six to twenty-four feet. A growing portion of Slocan's lumber production is specialty products that command premium prices and includes MSR lumber that is used in engineering applications such as trusses and floor joists. Other specialty products include metric cuts for the Japanese market, precision cut components used in Japanese house construction, finger jointed lumber, furniture stock, extra long lengths and specialty interior and exterior solid wood panelling.

In 1999, Slocan increased its annual plywood capacity to 300 million square feet (3/8 inch basis) through the addition of new veneer peeling technology as well as additional drying capacity at its Tackama plywood operations. The implementation of these improvements allows the Tackama facility to utilize its timber supply more effectively, allow seven day per week operation and enable it to better serve a wide range of world panel markets, to which access is unrestricted. See "Capital Expenditures and Investments".

Slocan operates an OSB plant at Fort Nelson, British Columbia. In 2000, Slocan completed the expansion of the plant's capacity from approximately 440 to 510 million square feet (3/8 inch basis). See "Capital Expenditures and Investments".

In June 2000, the Company formed a joint venture company with Louisiana-Pacific, Slocan-LP OSB Corp., owned equally by Slocan and Louisiana-Pacific to build a world class OSB plant in the Fort St. John area of British Columbia. The new plant will have an annual production capacity of approximately 700 million square feet on a 3/8 inch basis and is scheduled for completion in 2002. The capital cost of construction of this plant is expected to be \$200 million to be shared equally by Slocan and Louisiana-Pacific. Slocan will invest in the joint venture by way of equity and loans and expects to finance approximately 50% of its share of the

project out of existing cash flows and resources with the balance from project financing. The new mill is anticipated to benefit from access to timber resources held by both Slocan and Louisiana-Pacific, both of which hold harvesting rights in the Fort St. John Timber Supply Area. The Company is currently in the process of selecting a site for the mill and obtaining the required environmental approvals.

Slocan also owns one of the largest custom remanufacturing facilities in the Province. Slocan's Uneeda Wood Products Division's facility has been in operation at its present location since 1972 doing custom remanufacturing and kiln drying for British Columbia forest companies. This operation has an annual capacity to produce approximately 20 million board feet of finger jointed lumber, to kiln dry approximately 36 million board feet of lumber, and remanufacture approximately 30 million board feet of lumber. In 2000, Slocan completed the construction of a laminated beam facility at the Uneeda Wood Products Division with an annual capacity of 35,000 cubic metres per year of laminated beams.

Slocan's practice is to strategically invest funds in its manufacturing facilities to increase operating capacity, increase lumber, chip and panel recovery, lower manufacturing costs and produce higher value products in order to efficiently utilize the forest resource available in each facility's area of operation. Over the past five years Slocan has invested a total of \$156 million in constructing, modernizing and improving its lumber and panel facilities. See "Capital Expenditures and Investments."

Production Facilities

The following is a summary description of each of Slocan's lumber and panel manufacturing facilities:

Tackama Division

The Tackama operations utilize approximately 503,000 cubic metres of coniferous timber and 220,000 cubic metres of deciduous timber annually. The manufacturing facilities consist of a plywood plant and sawmill. The plywood operation includes two green veneer lines feeding a modern lay-up line. The veneer lines produce veneer for Tackama's plywood plant at Fort Nelson. The plywood plant produces standard spruce and aspen sheathing for use in home construction, as well as sanded aspen plywood for furniture and paint grade applications. Approximately \$15 million was spent in late 1999 and early 2000 installing a single state-of-the-art lathe line replacing the two existing lathes and a fourth veneer dryer. This investment enabled the Tackama facility to increase veneer recovery, increase plywood production to 300 from 210 million square feet (3/8 inch basis) and expand its range of plywood products. The sawmill is a stud mill which has two small-log lines feeding a high-speed planer and an automatic lumber handling system. This mill produces studs for the domestic and export markets.

PolarBoard Division

Slocan's Fort Nelson OSB plant produces panel products for both North American and Asian markets. A \$10 million capital project completed in August 2000 increased annual production by 20% to a total of approximately 510 million square feet (3/8 inch basis).

OSB currently has captured more than 50% of the overall market for structural wood panels in North America. In Japan, sales of OSB have been increasing due to cost, strength and functionality of the product, as well as a decrease in the availability of plywood.

Plateau Division

The Plateau sawmill at Vanderhoof has three production lines and underwent a \$4.5 million modernization in 1999 designed to improve lumber recovery. Plateau continues to be one of the most efficient dimension sawmills in the Province. The mill produces more than 300 million board feet of dimension lumber each year including MSR lumber and studs.

Quesnel Division

Slocan has two sawmills at Quesnel. The dimension sawmill has two production lines producing both construction and specialty grades of lumber including MSR and J-grade lumber. The other sawmill is a specialty products mill designed to convert the region's small lodgepole pine into stud lumber and custom grades for Japan. It can produce more than 200 sizes of standard and metric lumber primarily for the Japanese pre-fabricated housing industry. In late 1999, Slocan completed a \$2.3 million modernization of the specialty mill to improve lumber recovery.

Valemount Division

Slocan's Valemount sawmill has two production lines to process the full range of log diameters from its timber base. The sawmill produces random length lumber and has the capability to cut to sizes required in the United States and Japanese markets. The mill is presently operating as a specialty mill producing lumber principally for the Japanese market.

Vavenby Division

The Vavenby sawmill has three production lines - one for the larger diameter logs, while the other two are high speed lines for small logs. The sawmill produces random length lumber up to 24 feet (longer than lumber produced by most interior British Columbia sawmills) and has the flexibility to produce lumber for different market specifications in North America, Europe and Japan.

Mackenzie Operations

Slocan's two Mackenzie sawmills have a total of five production lines, which in total produce in excess of 425 million board feet of lumber each year, primarily for the North American and Japanese home construction markets. During 2000, Mackenzie's two planers

were consolidated into a single new facility. This \$18.5 million project was designed to increase planing capacity, reduce costs, and improve value, outturn and quality. The Mackenzie facilities contract with nearby independent value-added companies to produce finger-joint studs as well as export and other higher-grade products. Under a long-term chip supply agreement, a local pulp mill purchases all the wood chips from Mackenzie's sawmills.

Radium Division

The Radium sawmill has two production lines producing dimension lumber for both the U.S. and Japanese house construction markets. Approximately 50 percent of the mill's production is higher value MSR and J-grade lumber. The mill has conventional small-log and large-log lines designed to process the range of log diameters harvested from its timber base. The modernization of this facility was completed in 1997 with the installation of new curve sawing, edging, trimming and primary breakdown technology.

Slocan Division

The Slocan sawmill has two production lines and has the flexibility to handle the wide variety of regional tree species from its timber base. A computer-optimized band head-rig permits extraction of the maximum value out of larger, higher value logs while a chipping canter efficiently processes smaller timber into dimension lumber. In addition to the head-rig, the edgers and trim saws have also been computer optimized to maximize lumber recovery from each log. Kiln dried lumber products are shipped to customers in North America, Europe and Asia. This operation also sells lumber to local value-added manufacturers.

Uneeda Wood Products Division

Slocan's Uneeda facility is a custom lumber remanufacturing, kiln drying and laminated beam manufacturing operation serving the needs of a wide range of British Columbia lumber manufacturers. The operation consists of moulding and planer lines, a vertical twin band re-saw, various chopping and sorting equipment, two finger joint facilities, 12 dry kilns and a state of the art laminating facility which was constructed in 2000 at a cost of approximately \$5.4 million. A portion of the lumber from Slocan's sawmills is remanufactured into higher value products at Uneeda.

Lumber, Panel and Wood Chip Marketing and Distribution

Lumber

Slocan sells all of its manufactured products on a delivered basis. The volume of each product produced is large enough to allow Slocan to negotiate favourable freight rates to destinations throughout North America.

Slocan has manufacturing facilities located on all four railways serving British Columbia. The location of the facilities in relation to origin reloads (reloads served by truck from Slocan facilities) in both Canada and the United States gives Slocan a variety of transportation options that are used to negotiate competitive advantages. Products are efficiently moved to Vancouver docks for export to offshore markets because Slocan's facilities are located adjacent to rail lines and major truck transportation routes.

In 2000, Slocan's shipments to the US accounted for 69% of total lumber shipments (73% in 1999) and were shipped by truck and rail.

The location of the Slocan mills in the central and northern regions of British Columbia enables production from these facilities to be shipped by rail to Eastern Canada and the United States or by rail and truck to Vancouver for shipment by freighter to offshore markets.

The proximity of the Slocan and Radium sawmills in the southern region of British Columbia to the United States border enables them to take advantage of lower American freight costs for shipments to the United States. Their locations also provide them with a competitive advantage for truck shipments of lumber products into the Canadian prairies and the midwestern United States.

No customer in the United States accounted for more than 10% of the total sales of lumber from these mills in 2000 or 1999 (including Slocan's share of Finlay's production until August 4, 1999).

Countervailing Duty

In 1996, Canadian and United States negotiators concluded a trade agreement (the "Softwood Lumber Agreement") relating to the export of Canadian lumber to the United States. Under this Softwood Lumber Agreement, British Columbia agreed to constrain its lumber shipments to the United States to eight billion board feet annually for a five year period which ended on March 31, 2001 with the termination of the Agreement.

The Agreement was implemented in B.C. through a quota system and escalating duties based on the volume of lumber shipments. The quota allocated to Slocan resulted in restrictions on Slocan's (and most other B.C. forest companies) exports to the United States. The quota, together with lower prevailing lumber prices and an oversupply of lumber in North America, also led to production curtailments at certain of Slocan's facilities in 1999 and 2000.

On April 2, 2001, after the expiry of the Agreement, the U.S. Coalition for Fair Lumber Imports and other parties petitioned the United States government to initiate trade action against most of the Canadian lumber industry seeking countervailing and anti-dumping duties in respect of Canadian lumber shipments to the U.S. The Coalition alleges both that certain Canadian provinces, including B.C., subsidize the Canadian forest industry by charging artificially low stumpage rates and that Canadian lumber is being dumped in the U.S.



Canada and the United States have had disputes over lumber imports into the United States on numerous occasions in the past, which have ultimately been determined in Canada's favour or been resolved by negotiated settlement. The Coalition's allegations about subsidies are similar to those previously faced by Canadian producers and are being denied and opposed by the Canadian government and forest industry. However, unlike previous lumber disputes with the U.S., American homebuilders and retailers are lobbying Congress against the imposition of trade sanctions against Canadian lumber on the basis that sanctions would add significantly to the cost of home construction in the United States.

The Coalition's trade action will first be considered by the U.S. Department of Commerce and the International Trade Commission, which are expected to make preliminary decisions in the summer of 2001 and a final decision before the end of the year. If the Coalition's complaints are upheld, it is possible that countervailing and/or anti-dumping duties could be imposed against shipments of Canadian lumber to the U.S. retroactive to the date the U.S. government announced the investigation.

The Canadian government and lumber industry's recourse in the event of an unfavorable decision in the United States would be to appeal the dispute to international panels under either the North American Free Trade Agreement or the World Trade Organization, which would not be expected to render a final determination for more than a year.

Slocan continues to participate in and support negotiations with the U.S. government and forest industry to responsibly resolve the lumber dispute. Until a negotiated settlement is reached or a final determination is made to resolve the dispute, Slocan cannot predict the impact the dispute will have on its operations or its business.

In order to deal with the restrictions under the Softwood Lumber Agreement and North American market conditions, Slocan has implemented strategies emphasizing the production of value-added products and a greater emphasis on sales to domestic and non-United States export markets. Slocan has increased its plywood capacity and shifted some timber supply away from lumber production and into panel production in order to take advantage of unrestricted access to world plywood markets. In addition, laminated beams for the Japanese housing market have been manufactured at the Uneeda Wood Products Division since the completion of installation in March 2000 of additional equipment and upgrades at a cost of \$5.4 million. The completion of a \$2.3 million capital project at the Quesnel specialty mill in 2000 also further increased the volume of specialty products available for sale to Japanese customers. Both of these initiatives are part of Slocan's strategy to continue to increase shipments to export markets, other than the United States.

Plywood

Plywood produced at the Tackama mill in Fort Nelson is sold to North American, Japanese and European markets. This product is shipped by truck or rail to domestic customers depending on their proximity to the mill and by ship to offshore customers. In 2000, approximately 81% (approximately 85% in 1999) of Slocan's plywood production was sold in Canada and the majority of it was shipped to Eastern Canada by rail. Approximately 61% of the plywood production for 2000 (approximately 67% in 1999) at the Tackama mill was sold to four principal customers.

Oriented Strand Board

Approximately 77% of Slocan's 2000 OSB production (approximately 81% in 1999) was sold in the United States. In 2000, approximately 41% (approximately 37% in 1999) of the OSB produced at Slocan's PolarBoard plant was sold pursuant to arrangements entered into with one major customer in the United States. OSB is shipped primarily by rail to customers in North America and by ship to customers in offshore markets.

Wood Chips

Wood chips are an integral part of Slocan's production and revenue stream. The wood chips produced at Slocan's sawmills are sold to various domestic pulp mills and to Fibreco Export and are shipped by rail and by truck. In 2000, Slocan sold an aggregate of 749,750 BDUs of wood chips (770,275 BDUs in 1999 including Slocan's share of Finlay's production until August 4, 1999) for total proceeds of approximately \$94.0 million (\$68.1 million in 1999).

In 2000, approximately 2.8% of wood chip sales were made to Fibreco Export (1.3% in 1999), in which Slocan has a 21% equity interest. Approximately 82% (76% in 1999) of Slocan's 2000 wood chip production was sold to four principal customers in British Columbia.

In February 1995, Slocan Group entered into a ten year wood fibre contract for the supply of hog fuel, sawdust and wood chips to Weyerhaeuser Canada Ltd. at current market prices that are adjusted quarterly. The wood chip volume is for an aggregate of 1.3 million BDUs over the term of the contract, which accounts for approximately 16% of Slocan's total annual chip production (17% in 1999).

Wood Products Sales and Distribution

The following table shows the distribution of sales revenues from Slocan's sawmills and panel facilities (including Slocan's proportionate share of Finlay's production until August 4, 1999) by major wood product and region for the last two years:

Years ended December 31 (In thousands of dollars)	2000	1999
Lumber	\$ 553,352	\$727,223
Plywood and veneer ⁽¹⁾	69,331	68,843
OSB	100,076	118,113
Wood chips ⁽¹⁾	94,861	72,174
Total	\$ 817,620	\$986,353
United States	\$ 428,564	\$635,225
Canada	228,527	285,211
Asia	160,529	65,917
Total	\$ 817,620	\$986,353

Notes:

(1) Includes wood chip sales to Fibreco Export and hogfuel and sawdust sales. See "Lumber, Panel and Wood Chip Marketing - Wood Chips".

Research and Development

Slocan contributes to and participates in the industry-supported organizations Forintek Canada Corp. (wood products research) and the Forest Engineering Research Institute of Canada (harvesting and silviculture research). Slocan is also committed to development efforts in its operations, including continuing improvements in the areas of health and safety, product development, higher-value utilization of timber resources and market development.

In 1999, Slocan contributed \$400,000 towards the creation of a new \$3.2 million research position at the University of Northern B.C. that will lead a program of advanced research in sustainable forest management of northern forests. Much of the research will be based in a new \$1.7 million enhanced forestry research facility at the university made possible by a personal donation of \$500,000 from I.K. Barber, Chairman of Slocan.

Pulp and Paper Manufacturing

Taylor Pulp Division

The Company owns 100% of the Pulp Mill which comprises the Taylor Pulp Division operations.

Pulp Mill

The Pulp Mill's rated production capacity is 240,000 ADMts of pulp per year based on 24 hours per day and 348 operating days per year. In 2000, production was 184,741 ADMts as compared to 171,185 ADMts in 1999. Production was curtailed during the first quarter of 1999 due to an over supply of pulp in the world markets. In addition, trial runs of bleached aspen pulp were conducted during 1999 which resulted in a further decrease in production volume due to equipment limitations.

These limitations were addressed by the capital expenditure program completed at the Pulp Mill in 2000.

The mill has a two-line configuration with the capability to manufacture pulp products ranging from high brightness tissue and towelling grades to low brightness newsprint grades. In the fourth quarter of 1999, Slocan approved capital expenditures of approximately \$6 million to install equipment in the Pulp Mill for the production of high bright grades of aspen (hardwood) pulp (including grades of up to a brightness of 85% ISO) which has been in high demand and commands premium prices relative to softwood grades.

The mill utilizes a CTMP process characterized by a highly efficient utilization of wood fibre and the use of hydrogen peroxide for bleaching. By comparison, the amounts of pulp produced or pulp yield from each unit of wood chips is approximately double that achieved through the kraft pulping process. The use of hydrogen peroxide for bleaching permits the total elimination of chlorine and chlorine compounds from the process. These two features are highly attractive in an increasingly environmentally conscious world market.

The mill is located at Taylor, British Columbia, which gives it access to a chip supply comprised of northern white spruce and aspen hardwood. These chips provide a high quality fibre for the production of both softwood and hardwood CTMP. These preferred species of chips, in combination with the mill's production flexibility, enhance the development of new applications for the Pulp Mill's pulp products for particular consumers. These chips also improve the competitive position of the mill's products in the world market, in particular through the production of aspen hardwood pulps.

During 1999, Slocan was successful, with the assistance of the B.C. Job Protection Commission, in developing an economic plan which enabled Slocan to maintain operations at its Pulp Mill through a period of depressed conditions in the pulp industry. This plan involved the participation and co-operation of several parties in restructuring or deferring certain costs. This included restructuring energy costs based on a formula tied to pulp prices and mill operating rates. During 2000, this reduced energy costs by approximately \$1.0 million (\$7.9 million in 1999). Under the plan, energy costs in future years will be based on the prevailing price of pulp and mill operating rates, which may result in higher energy costs as pulp markets improve, and will continue until such higher costs equate to the cumulative benefit received.

Fibre Supply

Slocan is responsible for the supply of all wood chips required for the Pulp Mill's operations. Slocan holds a pulpwood agreement related to the Pulp Mill which entitles it to obtain timber sale licences to harvest up to a maximum of 500,000 cubic metres of aspen per year for 25 years. This agreement was replaced in 1998 and amended in 2000. Slocan believes that a substantial increase in



CTMP pulp capacity is not economically feasible in the foreseeable future. As a result, Slocan has obtained from the Ministry of Forests an amendment to the agreement. The amendment allows the use of up to 330,000 cubic metres of timber per year in connection with the recently announced new OSB plant to be constructed in the Fort St. John area by a joint venture company owned equally by Slocan and Louisiana-Pacific and the balance of 170,000 cubic metres per year in connection with the Pulp Mill.

Marketing and Distribution

Slocan directs the world-wide sales and marketing of all pulp produced by the Pulp Mill in conjunction with Ekman and Co. A.B. ("Ekman"), an international sales and marketing firm, under an exclusive agency agreement. Ekman has offices around the world serving major markets and is further represented by accredited sub-agents.

Ekman has acted as exclusive agent for the sale of pulp produced by the Pulp Mill since 1985. Effective December 31, 1999, Slocan received a one time US \$1.5 million retroactive freight rebate from Ekman in respect of prior pulp sales in recognition of generally unfavourable market conditions affecting pulp sales during that time. Effective January 1, 2000, Ekman and Slocan entered into a new long term exclusive agency agreement.

The Pulp Mill has developed a world-wide customer base. Although all sales by the Pulp Mill are on a current market price basis, a majority of the volume is sold to repeat customers. In 2000, approximately 46% (approximately 46% in 1999) of the total pulp production was sold to three customers. No other single customer accounted for more than 10% of the annual sales. Approximately 72% of the Pulp Mill's pulp was sold in 2000 to customers in Asia (approximately 72% in 1999).

The Pulp Mill is served by rail for chip delivery and product distribution. Rail networks connect the Pulp Mill to points in Canada and the United States. Domestic North American customers are served by direct rail or truck delivery, although only a minor amount of pulp is trucked due to high transportation costs. Pulp destined for off-shore markets is transported by rail for loading onto deep-sea vessels, at Squamish and Vancouver, British Columbia.

Geographical Distribution of Pulp Sales

The following table shows total sales revenues of the Pulp Mill and the distribution of such revenues from pulp sales by the Pulp Mill by geographic region for the last two years:

Years ended December 31 (In thousands of dollars)		
	2000	1999
Asia	\$ 77,178	\$ 47,921
United States	2,040	1,184
Canada	2,386	1,092
Other Offshore Markets	26,639	16,211
Total Pulp Sales	\$108,243	\$ 66,408

Finlay Operations

Slocan sold its 49.9% interest in Finlay's integrated pulp and paper operations to Donohue on August 4, 1999 for \$80 million in cash. See also "Other Investments - Finlay Forest Industries Inc."

Slocan's proportionate share of Finlay's total sales revenues for its newsprint and specialty paper products up to August 4, 1999 was \$33.0 million (\$66.5 million for a full year in 1998). Finlay's newsprint and specialty paper products were sold during such periods primarily to the United States (approximately 43%), in Canada (approximately 31%) and Asia (approximately 26%).

Trends, Commitments, Events or Uncertainties

For further information regarding changes to Slocan's business expected in 2001 and known trends, commitments, events or uncertainties, see the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of this Annual Report for 2000, which is incorporated by reference herein.

Competitive Position

Each of the markets in which Slocan sells lumber, panel and pulp products is highly competitive with many major firms in each market. Slocan's competitive position is influenced by the availability, quality and cost of its raw materials, energy and labour, and its plant efficiencies and productivity in relation to its competitors. Slocan, like the rest of the Canadian forest products industry, competes in an international market and is therefore subject to the impact of currency fluctuations and global business conditions. Many of Slocan's lumber and panel products also compete with substitutes for wooden building materials of various kinds. As well as competing with other CTMP producers, the Pulp Mill's CTMP products compete with softwood bleached kraft pulp in the tissue markets and hardwood bleached kraft and recycled pulp in the printing paper markets.

Other Investments

Fibreco Export Inc.

Fibreco Export is a wood chip exporting and marketing company owned by a number of sawmill companies that have operations in the interior of British Columbia. Fibreco Export was formed in



1977 for the purpose of exporting surplus wood chips produced by the owners' various sawmills. In 2000, Fibreco Export was restructured. As a result of the restructuring, Slocan directly holds a voting and equity interest of approximately 21% in Fibreco Export. Prior to the restructuring, Slocan held a 22% non-voting equity interest (4.2% voting).

Fibreco Export owns and operates a wood chip export facility in Vancouver harbour that has an annual capacity of between 900,000 and 1,000,000 BDUs. In 2000, throughput at the facility totalled 628,000 BDUs (535,000 BDUs in 1999). See "Pulp and Paper Manufacturing - Pulp Mill Operations."

Finlay Forest Industries Inc.

Until August 4, 1999, Slocan and Donohue each owned 49.9% of Finlay. Slocan sold its interest in Finlay, which included its lumber, integrated pulp and paper and woodlands operations, to Donohue for \$80 million in cash. These operations included a forest licence with an AAC of 1,174,342 cubic metres, two sawmills with a combined annual capacity of 360 million board feet of lumber and 180,000 BDU's of wood chips, a newsprint and specialty paper mill with an annual capacity of 210,000 tonnes and a TMP mill which supplies the paper mill.

Forest Fibre Incorporated

Slocan owns a 65% interest in Forest Fibre Incorporated, a British Columbia company, which purchases logs and operates a small portable whole log chipper, and acts as a reseller of logs, wood chips and other wood by-products.

Accounting Treatment

Slocan accounts for its investments in each of Fibreco Export and Forest Fibre Incorporated using the equity method. Slocan accounted for its investment in Finlay on a proportionate consolidation basis. See Notes 3 and 5 to the Consolidated Financial Statements of the Company.

Human Resources

Slocan employs approximately 2600 people (including all of the approximately 135 employees at the Pulp Mill), of whom approximately 1540 are covered by collective agreements with the IWA - CANADA and approximately 380 are covered by collective agreements with the Pulp, Paper and Woodworkers of Canada ("PPWC"). The collective agreements with the IWA and the PPWC were renewed for three-year terms that expire on June 30, 2003.

Slocan has not experienced any strikes since the industry-wide strike by the IWA in 1986, except for a six-week strike at the Uneeda

Wood Products Division in 1997. The collective agreement with the IWA covering Uneeda was negotiated for a 3 year term expiring Feb. 1, 2003. All of the employees at the Pulp Mill and the PolarBoard Division are non-union. In addition, approximately 1,600 people who are employed by independent contractors, including truckers, perform services for Slocan on a regular basis.

As at December 31, 2001, the Company's senior management currently consists of eight executive officers, all of whom are located at the head office in Richmond, British Columbia. The Company manages the operations of Slocan Group and the Pulp Mill and its senior management is supported by divisional managers located at Slocan's operations throughout British Columbia and at the Pulp Mill. Slocan's management philosophy emphasizes short lines of communication to allow efficient decision-making.

Environment

Throughout 2000, Slocan's lumber, plywood, OSB and remanufacturing facilities were in compliance in all material respects with existing applicable environmental regulations. Slocan's personnel engage in a regular dialogue with regulatory agencies to address any environmental issues that may arise from time to time.

During 2000, Slocan modified certain of its facilities and particularly its beehive burners at various locations to reduce air emissions and bring them into compliance with current environmental regulations of British Columbia. In December 2000, at a cost of approximately \$1.2 million, Slocan completed the modifications to its beehive burner at its Slocan Division in Slocan, British Columbia.

In its use of forest resources, Slocan's management is committed to fulfilling its obligations to the public and the communities in which it operates and to complying with federal and provincial regulations and its own environmental protection procedures.

Every month, the Pulp Mill submits reports in accordance with the effluent permits issued to it by the Waste Management Branch to the British Columbia Ministry of Environment, Lands and Parks, Waste Management Branch and to Environment Canada. These reports cover all the terms and conditions of the effluent permits issued by the Waste Management Branch.

As a result of not using chlorine or any chlorine compounds in its bleaching process, the Pulp Mill is not directly impacted by the more stringent regulations that have in recent years been announced in British Columbia for organic chloride levels. However, the mill is affected by legislation of the Government of Canada with respect to total suspended solids, and the mill is currently substantially in compliance with these requirements.



Throughout 2000, the Pulp Mill was in compliance in all material respects with applicable environmental regulations.

Provincial legislation governing contaminated sites came into effect on April 1, 1997. If a particular site exceeds prescribed levels of certain classes of substances, the site is determined to be a "contaminated site" under the legislation. If a site is determined to be contaminated, remediation will normally be required under government supervision. As current and past owners of mill sites, all forest products companies in British Columbia may face remediation costs. Slocan does not expect any material impact on its operations in complying with this legislation.

Credit Facilities

During 1999, Slocan renegotiated the terms of its outstanding Senior Notes and its bank credit facilities and concluded new and amended agreements for these loans. During 1998, Slocan had been unable to meet certain financial ratio requirements under its prior credit agreements as a result of losses from operations incurred in the latter part of 1997 and the first half of 1998, coupled with the substantial decline in the value of the Canadian dollar relative to the US dollar (in which currency the Senior Notes are denominated).

In August 1999, Slocan repaid an aggregate of US \$87.5 million of term debt from the proceeds of sale of its 49.9% interest in the Finlay operations to Donohue for \$80 million in cash and from cash generated from operations. These payments retired the balance (US \$37.5 million) of a term loan arranged in connection with the acquisition of the Mackenzie Operations in 1997 and the first US \$50.0 million of Senior Notes which was due to mature in October 2000. The sale of the Finlay investment also eliminated \$62.7 million of term debt of Finlay included in Slocan's financial statements on proportionate consolidation, as well as Slocan's guarantee of US \$7.5 million of this debt. As of March 6, 2001, Slocan had a principal amount of US \$240 million outstanding under the Senior Notes and no term bank debt. The Senior Notes remaining outstanding and the applicable interest rates and maturities are as follows: US \$50 million at 8.32%, due October 24, 2003; US

\$60 million at 8.49%, due October 24, 2005; US \$30 million at 8.49%, due January 24, 2006; and US \$100 million at 8.63%, due October 24, 2007. The interest rates were reduced by 0.50% to these stated rates, effective October 1, 2000, after six consecutive quarters of compliance with certain leverage and interest coverage ratios.

Slocan also arranged a new bank operating credit facility of \$120 million committed for a three year term. Both this operating credit facility and the Senior Notes are secured by security interests over substantially all of Slocan's assets. The terms of Slocan's debt agreements contain restrictions on the granting of further security, the incurrence of additional debt, the application of proceeds from certain sales of assets and the payment of dividends and other distributions or investments.

The Senior Notes may be prepaid by Slocan at any time. If the yield on US Treasury obligations of comparable maturity at the time of prepayment plus 50 basis points (the "Formula Yield") is less than the original interest rates on the Senior Notes, the prepayment amount must include a "make-whole" premium which would compensate the holders for the present value of the difference between that original interest rate on the Senior Notes which are prepaid and the Formula Yield.

It will be an event of default and Slocan may be required to offer to prepay the Senior Notes, if:

- (a) either (i) any person or persons acting jointly or in concert shall own, in the aggregate, directly or indirectly, a majority of the voting power of the voting stock of the Company; or (ii) within any two year period, the Directors constituting the Board, including persons elected with the approval of at least 2/3 of the elected Board members, cease to constitute a majority of the Board for reasons other than ordinary course resignation or retirement, death or disability (in each case, a "Change in Control"); and
- (b) after the Change in Control, the Senior Notes do not receive an "investment grade" rating from a nationally recognized rating agency.

After a Change in Control, any repayment upon default or any such offer to prepay Senior Notes must be made at par plus accrued interest plus, if applicable, a "make-whole" premium, calculated as outlined above. The Senior Notes received an investment grade rating of BBB at the time of issue.

Capital Expenditures and Investments

Years ended December 31 (in thousands of dollars)	2000	1999	1998	1997	1996
Acquisitions ⁽¹⁾	\$ -	\$ -	\$ 1,935	\$ 186,262	\$ 13,000
Mill construction and improvements ⁽²⁾	52,920	21,078	10,255	50,799	50,461
Roads, bridges, timber and lands	17,792	16,714	12,902	25,215	26,572
Total	\$ 70,712	\$ 37,792	\$ 25,092	\$ 262,276	\$ 90,033

Notes:

- (1) The Company acquired Uneeda in 1996, the Mackenzie Operations in 1997 and Fibreco Export's 20% interest in the Pulp Mill in 1998.
 (2) Includes expenditures and improvements at the Pulp Mill and Slocan's proportionate share of Finlay's expenditures and improvements, as well as construction of the OSB plant at Fort Nelson, British Columbia.

In the third quarter of 1999, Slocan approved capital expenditures of approximately \$60 million, most of which was implemented in 2000, to further enhance the efficiency of its existing panel, lumber and pulp operations including: an increase in the capacity of the Polarboard OSB facility; modernization of the Tackama plywood operation to increase capacity and its production of specialty products; modernization of the Mackenzie Operations sawmill to

produce MSR lumber; and the consolidation of two old planers into one new efficient facility; the addition of bleaching capacity for the production of high bright grades of aspen pulp from the Pulp Mill; modernization of the Quesnel Division specialty sawmill and Plateau Division sawmill to improve lumber recovery; and the installation of new equipment at the Uneeda Wood Products Division for the production of laminated posts and beams.

Selected Consolidated Financial Information

Years ended December 31 ^{(1) (2)}	2000	1999	1998	1997	1996
Net sales	\$ 925.9	\$ 1,085.8	\$ 936.2	\$ 945.9	\$ 802.8
Net earnings (loss)	61.2	108.4	(157.8) ⁽⁵⁾	2.1	17.6
Total assets	874.0	788.6	906.9	1,254.4	978.8
Total long-term debt ^{(3) (4)}	361.8	350.1	572.3	564.8	476.6
Net earnings (loss) per Common Share (Basic)	1.62	2.84	(4.14) ⁽⁵⁾	0.06	0.57
(Diluted)	1.59	2.80 ⁽⁶⁾	-	0.06 ⁽⁶⁾	0.54 ⁽⁶⁾

Notes

- (1) All figures expressed in millions of dollars except per share amounts.
 (2) Includes Slocan's 49.9% proportionate share of results, assets and proportionate consolidation of indebtedness relating to the Finlay operation until August 4, 1999 and Slocan's 86% proportionate share of sales revenues relating to the Pulp Mill which was owned on a joint venture basis between the Company as to 80% and Fibreco Export as to 20% until December 31, 1998, after which, following the acquisition of Fibreco Export's 20% interest in the Pulp Mill, the Company owned 100%.
 (3) Includes current portion of long term debt, limited recourse debt and capital lease obligations in all years.
 (4) For the financial year ending December 31, 1998, long term debt of \$502.2 million was reclassified as current liabilities due to non-compliance by Slocan of certain financial ratios under its Senior Notes and term debt facility pending renegotiation of amended terms of this indebtedness with its lenders. As a result of the completion of these renegotiations in August 1999, US \$87.5 million was repaid and \$346.4 million of current liabilities was reclassified as long-term debt for the financial year ending December 31, 1999. See "Credit Facilities".
 (5) Includes unusual write downs of \$182.6 million (\$125.1 million after-tax or \$3.28 per share) for impairment of the Pulp Mill's and Valemount Division's property, plant and equipment, and the write down of deferred foreign exchange losses on settlement of debt.
 (6) Restated to reflect changes in accounting standards.

For additional discussion of the factors affecting the comparability of the data set out above, see the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of this Annual Report, which is incorporated by reference herein.

Quarterly Data

For the Three Months Ended (unaudited) ^{(1) (2)}	2000				1999			
	Mar 31	June 30	Sept 30	Dec 31	Mar 31	June 30	Sept 30	Dec 31
Net sales	\$268.9	\$229.3	\$215.4	\$212.3	\$241.9	\$284.5	\$307.8	\$251.6
Net earnings	31.8	20.6	1.6	7.2	20.1	34.2	35.3	18.8
Net earnings per Common Share (Basic)	0.84	0.54	0.04	0.20	0.53	0.90	0.92	0.49

Notes:

- (1) All figures expressed in millions of dollars except per share amounts.
 (2) Includes Slocan's 49.9% proportionate share of results, assets and proportionate consolidation of indebtedness relating to the Finlay operation until August 4, 1999.



Dividends

The declaration and payment of dividends are at the discretion of the Company's directors and subject to continuing compliance with the requirements of the Company's financing agreements. The Company's dividend policy is to pay regular quarterly dividends at a rate that can be sustained over a range of economic conditions and the Company may pay extra dividends in years of unusually high earnings. Slocan was not in compliance with the terms of its Senior Notes and bank agreements during a certain period of 1998 and 1999. During this time, the payment of dividends was restricted. See "Credit Facilities". In light of strongly improved results for the Company in 1999 and the renegotiation of Slocan's credit facilities, Slocan recommenced the payment of quarterly dividends in the fourth quarter of that year.

In each of the years set forth below, ending on December 31 in each year, the Company declared and paid cash dividends per Common Share as shown.

2000	1999	1998	1997	1996
\$0.50(1)	\$ 0.075	\$ 0.00	\$ 0.30	\$ 0.30

Note:

(1) In addition to the regular quarterly dividend of \$0.075 per share, a Special Extra Dividend of \$0.10 per share was paid on each of May 24, 2000 and August 9, 2000.

Share Capital

After giving effect to subdivisions in May 1990 and 1994, the Company had an authorized capital of 80,000,000 Common Shares and 10,000,000 Preferred shares. The special rights and restrictions attached to the Preferred shares were altered at the time of the 1990 subdivision to allow the directors of the company to fix the number and designation of each series of Preferred shares and, subject to certain limitations, define the special rights and restrictions attached to, each such series.

On February 28, 1995, the Company completed a substantial issuer bid for up to 8,000,000 Common Shares. The 8,000,000 repurchased Common Shares were cancelled and returned to the status of authorized but unissued shares.

On November 10, 1995, the Board of Directors adopted a Shareholder Rights Plan that was subsequently approved by the shareholders. Under the Plan, the directors approved the issue of one Right for each Common Share outstanding on that date. The Plan was approved by the shareholders of the Company at its annual general meeting held on April 26, 1997. The Plan was extended for a further three year term by a

majority of Slocan's shareholders at its annual general meeting in June 1999. An additional Right will be issued for each Common Share issued thereafter, so long as the Rights remain outstanding. A Right becomes exercisable only after the occurrence of certain specified events. Generally, if a person acquires or offers to acquire 20% or more of the Common Shares, a Right will become exercisable and will entitle the holder of the Right (other than the acquiring person) to purchase an additional Common Share at a 50% discount from the then prevailing market price.

A Right is not triggered by a "permitted bid," which is a takeover bid made to all shareholders by way of takeover bid circular that complies with certain specified requirements. Such a bid must remain outstanding for 60 days unless the holders of more than 50% of the Common Shares held by shareholders independent of the bidder accept the bid or indicate to the Board of Directors that they support the bid. The Board of Directors may waive the application of the Shareholders' Rights Plan or redeem the Rights at a nominal cost, in specified circumstances.

On July 26, 2000, the Company announced the initiation of a normal course issuer bid to proceed with the purchase for cancellation of up to 1,910,000 Common Shares, or approximately 5% of the 38,390,322 shares outstanding on June 30, 2000, at market prices at the time of purchase. As at December 31, 2000 the Company had completed the purchase of all of the 1,910,000 Common Shares at an average price of \$8.48 per share.

As at April 23, 2001, there were 36,655,258 Common Shares issued and outstanding. No preferred shares have been issued.

Market for Securities

The Common Shares are listed on The Toronto Stock Exchange and trade under the symbol SFF.

Directors and Officers

Each of the persons whose name appears below is currently a director or officer of the Company. Each director holds office from the date of his election or appointment until the next Annual General Meeting of the Company or until he sooner ceases to hold office.

Name, Office Held and Municipality of Residence	Present Principal Occupation	Period Served as Director
Irving K. Barber ⁽⁴⁾ Chairman and a Director Delta, B.C.	Chairman of the Company and President of Slocan - LP OSB Corp.	23 years
Stephen T. Bellringer ⁽¹⁾⁽²⁾⁽⁴⁾ Director Vancouver, B.C.	President and Chief Executive Officer Canadian Hotel Income Properties (hospitality management)	2½ years
Kenneth P. Benson ⁽¹⁾ Director Vancouver, B.C.	Retired (forestry executive)	2½ years
George A. Edgson ⁽³⁾ Director Delta, B.C.	Retired (forestry executive)	10 years
Stephen A. Jarislowsky Director	Chairman and Chief Executive Officer of Jarislowsky, Fraser Limited (investment managers)	2 months
Brandt C. Louie ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾ Director West Vancouver, B.C.	President of H. Y. Louie C. Limited (food distribution)	6 years
Ronald D. Price Senior Vice-President, Chief Financial Officer, Secretary and a Director West Vancouver, B.C.	Officer of the Company	23 years
James A. Shepherd President, Chief Executive Officer and a Director Surrey, B.C.	Officer of the Company	2 years
John M. Tennant ⁽²⁾⁽³⁾ Director Vancouver, B.C.	President of Ferncliff Estates Ltd. (development company)	2½ years
E. Terrence Upgaard Vice-President, Sales and Marketing and a Director West Vancouver, B.C.	Officer of the Company	12 years
John Weatherall Director Toronto, Ont.	Chairman Emeritis, T.D. Asset Management Inc.	10 years
James I. Barber Vice President, Operations Surrey, B.C.	Officer of the Company	N/A
Donald B. Clutterham Vice-President, Business Development Surrey, B.C.	Officer of the Company	N/A
Terry D. Hodgins Vice-President and Financial Officer West Vancouver, B.C.	Officer of the Company	N/A
Julius J. Juhasz Vice-President, Forest Resources Victoria, B.C.	Officer of the Company	N/A
Micheal G. Madriga Senior Vice-President, Operations Delta, B.C.	Officer of the Company	N/A

Notes:

(1) Members of the audit committee.

(2) Member of the compensation committee.

(3) Member of the nominating and governance committee.

(4) Member of the executive committee.

As to those officers who have held more than one position with the Company during the last five years, their previous positions were as follows: James A. Shepherd was President and Chief Operating Officer, Micheal G. Madrigga was Senior Vice-President, Corporate Development and prior to that Vice-President and Regional Manager-Operations, James I. Barber was Vice-President and Regional Manager - Operations and Donald B. Clutterham was Vice-President and Regional Manager - Operations and prior to that Vice-President of Northern Operations.

The principal occupations of each of the directors of the Company for the five preceding years have been as shown above except for: Stephen T. Bellringer, who prior to September 1997 was President of B.C. Gas Inc. and prior to December 1999 was Chief Executive Officer of Orca Bay Sports and Entertainment; Kenneth P. Benson, who prior to 1996 was the Chairman and Chief Executive Officer for both B.C. Forest Products Ltd. and Finlay Forest Industries Inc., as well as Chairman of Fletcher Challenge Canada Ltd.; George A. Edgson, who prior to March 1996 was Senior Vice-President of Operations of the Company; James A. Shepherd, who prior to February 1999, was President and Chief Operating Officer of Crestbrook Forest Industries Ltd. and President of Finlay Forest Industries Limited and prior to July 2000 was President and Chief Operating Officer of the Company; John M. Tennant, who prior to January 1997 was a partner at the law firm of Lawson Lundell Lawson & McIntosh; and John Weatherall, who prior to February 1996 was Vice-President, Investments, Corporate and Investment Banking Group with a Canadian Chartered bank.

As of April 23, 2001, the directors and senior officers of the Company, as a group, beneficially owned directly or indirectly or exercised control or direction over 5,280,964 Common Shares (14.4%).

Additional Information

Reference is made to the sections of this Annual Report for 2000 entitled "Management's Discussion and Analysis of Financial Results" and "Consolidated Financial Statements" that are by this reference incorporated herein.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, options to purchase securities and interests of insiders in material transactions is contained in the Information Circular for the Annual General Meeting of the Company held on May 5, 2000 and is contained in the Information Circular for the Annual General Meeting to be held

June 22, 2001. Additional financial information is provided in the Company's comparative financial statements and management's discussion and analysis for the year ended December 31, 2000, which are contained in this Annual Report for 2000.

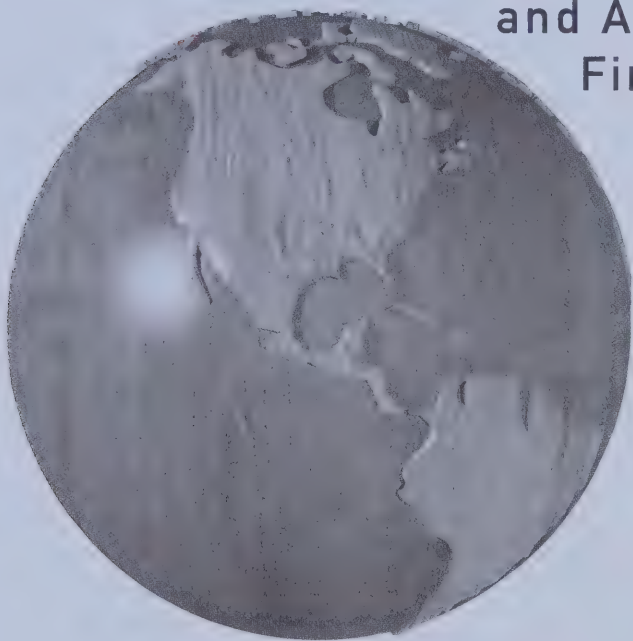
In addition, the Company will provide to any person, upon request to the Secretary:

- (a) when the Company's securities are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus that has been filed in respect of such distribution:
 - (i) one copy of this Annual Information Form together with a copy of any document, or the pertinent pages of any document, incorporated by reference in this Annual Information Form;
 - (ii) one copy of the Company's comparative financial statements for the year ended December 31, 2000, together with the accompanying report of the auditor and one copy of any interim financial statements of the Company subsequent to December 31, 2000;
 - (iii) one copy of the Company's Information Circular in respect of its most recent annual meeting of shareholders that involved the election of directors or one copy of any annual filing prepared instead of that information circular, as appropriate; and
 - (iv) one copy of any other documents that are incorporated by reference into a preliminary short form prospectus or a short form prospectus and are not required to be provided under (i), (ii) or (iii) above; or
- (b) at any other time, one copy of any other documents referred to in (a)(i), (ii) or (iii) above, provided that the Company may require the payment of a reasonable charge if the request is made by a person who is not a security holder of the Company.





Management's Discussion
and Analysis of
Financial Results



Slocan Forest Products Ltd. (the "Company") directly, and in partnership with or through subsidiary companies (collectively "Slocan"), manufactures and markets dimension lumber, specialty wood products, panel products, wood chips and chemi-thermo mechanical pulp ("CTMP"), which are sold throughout the world. The principal markets for these products are North America, Asia and Europe.

Lumber, plywood and wood chips are produced at Slocan's ten sawmills and one plywood facility throughout the interior of British Columbia. Slocan also produces oriented strand board ("OSB") at a facility at Fort Nelson, British Columbia and bleached and unbleached softwood and hardwood CTMP at the Fibreco pulp mill (the "Pulp Mill") located in Taylor, British Columbia.

Slocan remanufactures lumber into value added and engineered wood products at its custom remanufacturing facility at Chilliwack, British Columbia and at its specialty mill at Quesnel, British Columbia.

Significant Events

During 2000 and 1999 certain significant transactions and events occurred which affected Slocan's operations, financial position and corporate structure.

Normal Course Issuer Bid

In July 2000, Slocan announced the initiation of a normal course issuer bid to purchase for cancellation up to 1,910,000 Common Shares, or approximately 5 percent of the Company's 38,390,322 shares outstanding on June 30, 2000, at market prices at the time of purchase. As at December 31, 2000, the Company had completed the purchase of all 1,910,000 Common shares at an average price of \$8.48 per share.

Slocan-Louisiana-Pacific Canada Joint Venture

In June 2000, Slocan formed a joint venture with Louisiana - Pacific Canada Ltd. ("LP") to build and operate a 700 million square foot OSB plant in northern British Columbia. The joint venture, which is expected to cost approximately \$200 million to complete, will be owned equally by Slocan and LP through a joint venture company, Slocan - LP OSB Corp. In June, 2000, Slocan obtained approval from the Ministry of Forests to amend a pulpwood agreement covering up to 500,000 cubic metres of annual timber harvest, previously

available to the Company only for further pulp production capacity, allowing Slocan to use up to 330,000 cubic metres of the fibre available under this tenure in connection with the new OSB plant.

Sale of Finlay

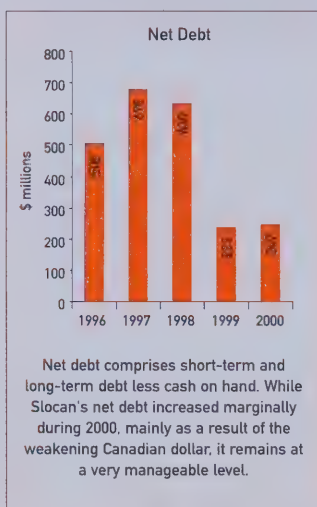
On August 4, 1999, Slocan completed the sale of its proportionate 49.9 percent share interest in Finlay Forest Industries Inc. ("Finlay") to Donohue Inc. ("Donohue"), which owned an equal 49.9 percent interest in those operations, for \$80 million in cash. In addition to the cash proceeds, this transaction resulted in the elimination of \$62.7 million of term indebtedness from Slocan's balance sheet at the time of the disposition, representing Slocan's proportionate consolidation of Finlay's term indebtedness. Slocan's proportionate share of Finlay's net assets of \$153.7 million was also eliminated.

Unless stated otherwise, the disclosure in this Management's Discussion and Analysis of Financial Results includes the Company's 49.9 percent proportionate interest in Finlay's assets and operations until August 4, 1999.

Financing Agreements

In August 1999, Slocan completed the renegotiation and refinancing of its senior notes and its term bank indebtedness, under which Slocan had not been in compliance due to losses in previous years and the negative impact of the decline in the value of the Canadian dollar on US dollar denominated debt. Generally accepted accounting principles required that Slocan's \$502.2 million of long term debt in default at December 31, 1998 be classified as a current liability until definitive agreements waiving or amending the default were concluded. As a result of the successful completion of the refinancing, effective August, 1999 the outstanding indebtedness under the senior notes was reclassified as long-term indebtedness

in Slocan's financial statements. As part of the refinancing, Slocan also repaid an aggregate of US \$87.5 million of term debt from proceeds of the sale of its proportionate interest in the Finlay operations to Donohue and from cash generated from operations. These payments retired the balance of a term loan arranged in connection with the acquisition of the Mackenzie Division in 1997 and the US \$50 million first series of senior notes which was due to mature in October, 2000. Slocan also arranged a new bank operating facility of \$120 million committed for a three year term to August, 2002.



Senior Notes

As a result of fluctuations in the Canadian dollar against the US dollar in 2000 and 1999 and the requirement to state foreign denominated debt in the Company's consolidated balance sheet at the year-end exchange rate, the carrying value of the Company's US senior notes payable increased by \$13.5 million from 1999 to 2000 and decreased by \$21.6 million from 1998 to 1999. This deferred foreign exchange gain or loss, which fluctuates with the change in exchange rates, is normally amortized over the term of each of the notes. However, while the Company was in default of its ratio requirements and was renegotiating its long-term debt as referred to under "Financing Agreements" above, there was a requirement, for accounting purposes, to reflect all the senior notes and bank term debt as current liabilities. Accordingly, in 1999, the deferred foreign exchange gains to the date of concluding the new financing agreements were taken into income. Foreign exchange gains or losses subsequent to the completion of the refinancing in August 1999 have been, and will continue to be, amortized over the term of each of the notes in accordance with the Company's accounting policies. The actual gain or loss will only be realized at the time of repayment of each of the notes.

Comparison of 2000 and 1999 Operating Results

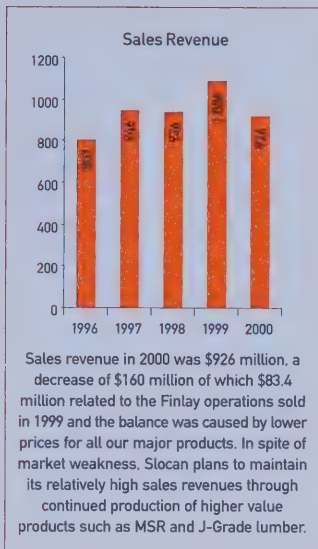
Changes in Accounting Policies

For a discussion of changes in Slocan's accounting policies, see Note 2 to Slocan's Consolidated Financial Statements included in this Annual Report.

Net Earnings

Slocan had consolidated net earnings of \$61.2 million for 2000 compared with net earnings of \$108.4 million for 1999. Net earnings per share for 2000 were \$1.62 (\$1.59 on a diluted basis, assuming the exercise of outstanding stock options in accordance with recommendations of the Canadian Institute of Chartered Accountants) compared with net earnings per share of \$2.84 (\$2.80 on a diluted basis) for 1999.

Results of operations in 2000 were affected by a lumber inventory write down to market of \$5.2 million after tax or \$0.14 per share. Results of operations in 1999 were affected by unusual items which included the disposition of the Company's 49.9 percent share interest in Finlay for a loss of \$11.0 million and the conclusion



of its refinancing in August which resulted in a foreign exchange gain on its US term debt of \$10.3 million. Forward foreign exchange contracts reduced sales revenues by \$5.2 million in 1999, but had minimal impact on revenues in 2000.

Net sales in 2000 were \$925.9 million, down 15 percent from \$1.1 billion in 1999. Net sales were negatively affected in 2000 by lower selling prices for lumber and panel products particularly in the second half of the year. The 1999 sales also included \$83.4 million relating to the Finlay operations which were sold August 4, 1999. Selling prices for random length SPF lumber, plywood and OSB averaged US\$303 per mfbm, US\$236 per thousand square feet on a 3/8 inch basis ("m3/8") and US\$400 per m3/8 respectively for the first half of 2000 compared with US\$210 per mfbm, US\$154 per m3/8 and US \$335 per m3/8 for the second half of the year.

Lumber Operations

Slocan's lumber operations had earnings before unusual items of \$65.0 million for 2000 compared with \$148.5 million for 1999.

Lumber shipments decreased by 11 percent from 1,426 mfbm in 1999 to 1,270 mfbm in 2000. Part of this decrease was a result of the impact of the sale of Slocan's interest in Finlay in August 1999.

Lumber selling prices were lower in 2000 primarily as a result of the oversupply of lumber in North America. The effects of the lower lumber prices in 2000 were partially offset by the favourable effects of Slocan's manufacturing cost reduction programs initiated at all of its lumber facilities in 1998, the benefits from the major capital expenditure program completed in 2000 and slightly lower average stumpage costs in 2000 resulting from the lower selling prices.

The annual rate of U.S. housing starts in 2000 decreased to 1.59 million, 5 percent under 1999 levels. Random length SPF lumber prices averaged US \$257 per mfbm for 2000, down 25 percent from the 1999 average of US \$343 per mfbm. The lower average prices for random length SPF in 2000 reflect the combined effects of weaker consumption in North American and offshore markets and the oversupply in these markets. Wood chip revenue increased by 35 percent to \$91.4 million as a result of an increase in prices, offset by a 3 percent decrease in volume.

Panel Operations

Slocan's OSB and plywood operations had earnings before unusual items of \$34.8 million for 2000 compared with \$60.8 million for 1999.

Plywood prices decreased by 16 percent from 1999 levels as a result of lower Canadian housing starts and decreased



offshore demand, particularly in Asia and Europe. OSB prices averaged 18 percent below 1999 due to weaker North American demand.

Pulp and Paper Operations

The Pulp Mill's net sales in 2000 were \$108.2 million, 62 percent higher than the \$66.4 million in 1999 and its earnings before unusual items were \$13.1 million compared with a loss before unusual items of \$ 6.0 million in 1999. The increase in pulp revenue in 2000 was due to an increase in CTMP selling prices of approximately 42 percent and an increase in shipment volumes of approximately 3 percent. The higher prices reflect a combination of a strong market throughout most of the year and the sale of a greater percentage of higher value hardwood (aspen) CTMP, (23 percent in 2000 compared with 13 percent in 1999, with the balance, 77% in 2000 and 87% in 1999 being sales of softwood CTMP).

World markets for pulp strengthened throughout most of 2000 although there was some softening of demand towards the end of the year. The strength in the markets was due to a combination of continued strong economic growth in the

United States and Europe and improving economic conditions in Asia. The major improvement in demand for market pulp (Northern Bleached Softwood Kraft ("NBSK")) was due to increased imports by China and Korea, which represented close to half of the year over year increase in pulp consumption. Prices for NBSK pulp increased from US \$600 per ADMt at the end of 1999 to US \$710 in the fourth quarter of 2000. Hardwood kraft prices increased from about US \$580 to US \$650 per ADMt in the same period.

CTMP prices followed those of kraft pulp in 2000. The strong demand for hardwood kraft in the year pulled the price for aspen CTMP up from US \$520 per ADMt at the beginning of the year to US \$610 by the end of 2000. Demand for softwood CTMP increased in 2000, however, the continued oversupply of capacity has kept prices lower compared with hardwood (aspen) CTMP. In spite of this, prices for softwood CTMP increased by US \$110 per ADMt, from US \$420 to US \$530 for 70 brightness grades.

The Company had sales from paper operations until the sale of its Finlay newsprint and specialty paper operations to Donohue in August 1999.

Quarterly Information

\$Million, Except for Per Share Amounts

2000	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Sales	268.9	229.3	215.4	212.3	925.9
Net earnings	31.8	20.7	1.6	7.1	61.2
Net earnings - per common share ⁽¹⁾					
Basic	0.84	0.54	0.04	0.20	1.62
Diluted	0.82	0.53	0.04	0.19	1.59
1999 ⁽²⁾	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Sales	251.6	307.8	284.4	242.0	1,085.8
Net earnings	18.8	35.3	34.2	20.1	108.4
Net earnings - per common share					
Basic	0.49	0.92	0.90	0.53	2.84
Diluted	0.49	0.91	0.88	0.52	2.80

Notes:

(1) The quarterly per share numbers differ from the total for the year as a result of the share repurchases during the year.

See "Normal Course Issuer Bid" above.

(2) Includes Slocan's 49.9 percent proportionate share of results of the Finlay operation until August 4, 1999.

Earnings From Operations

In 2000, Slocan had earnings from operations of \$ 127.7 million compared to \$230.6 million in 1999. The decrease in earnings from operations was caused primarily by lower lumber and panel product prices which were partially offset by higher pulp prices, the favourable impact of Slocan's manufacturing and logging cost reduction programs and capital projects and slightly lower average stumpage costs in 2000.

Earnings from operations were also affected in 1999 by the conversion at forward foreign exchange rates of a portion of US dollar sales which were sold forward under hedging transactions. As a result of the decrease of the exchange rate for Canadian dollars in 1999 from the exchange rate at the dates these contracts were established revenues were reduced by approximately \$5.2 million in 1999.

Lumber Operations

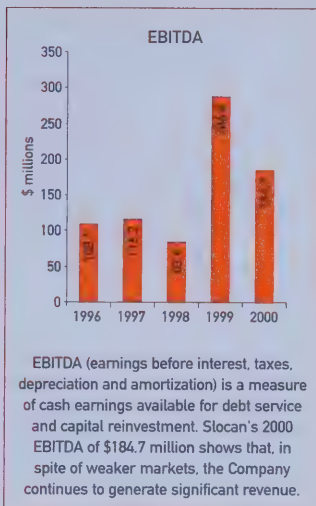
Slocan had earnings from its lumber operations of \$72.2 million in 2000 compared with \$157.2 million in 1999.

Slocan's sawmills took total curtailments of 3 weeks in 2000 and three and one-half to five weeks in 1999, in order to balance lumber production with U.S. quota volumes. Other than this downtime, all of Slocan's sawmill facilities operated two eight hour shifts per day in 2000 and throughout 1999 except for Tackama which operated two twelve hour shifts for ten months in 2000 and one shift per day in the last two months of 1999 and Valemount which operated one shift per day in 2000 and throughout 1999.

Panel Operations

Slocan's OSB and plywood operations had earnings from operations of \$38.1 million in 2000 compared with \$72.0 million in 1999.

The Tackama plywood mill shutdown for two weeks in 2000, otherwise it operated two eight hour shifts for five months and two twelve hour shifts for seven months in 2000 and two and one-half eight hour shifts per day in 1999. The OSB plant operated two twelve hour shifts per day during both 2000 and 1999. In September 2000, an expansion of the OSB plant was completed increasing the capacity of the plant by approximately 20 percent. For the 2000 year production exceeded the 1999 production by approximately 3 percent.



Pulp and Paper Operations

Slocan's Pulp Mill had earnings from operations in 2000 of \$23.7 million compared with earnings of \$4.8 million in 1999. In 1999, Slocan also had operating earnings from the Finlay paper operations of \$2.9 million until the sale of its interest in August 1999. The improved Pulp Mill results in 2000 were primarily due to increased production, lower costs and higher average selling prices for pulp compared with 1999. Pulp production for 2000 was approximately 8 percent over the Pulp Mill's 1999 production due to improved productivity and absence of production curtailments in 2000. In addition, the Pulp Mill completed the expansion of its bleaching capacity in June 2000 which allowed the mill to produce hardwood (aspen) pulp more

efficiently. Consequently, the hardwood pulp component of production increased from 6 percent in 1999 to 34 percent of production in 2000.

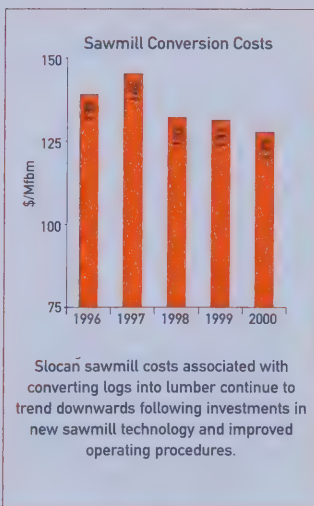
Financial Position

Cash flow from operations, excluding reforestation expenditures, before change in non-cash working capital items, decreased to \$109.8 million in 2000 from \$252.4 million in 1999. This decrease was a direct result of lower sales prices for the Company's lumber and panel products, which were partially offset by higher average prices for pulp products and lower average stumpage costs. Cash flow from operations in 2000, including reforestation expenditures of \$17.8 million, which were partially offset by a decrease in non-cash working capital items of \$12.8 million, decreased to \$104.8 million. This amount compares with cash flow from operations of \$273.5 million in

1999. The lower level of non-cash working capital in 2000 is primarily attributable to an increase in income taxes payable, partly offset by an increase in inventories.

In 2000, as a result of the weakening of the Canadian dollar against the US dollar and the conversion of debt denominated in US dollars to Canadian dollars at the year-end rate, Slocan's US senior notes payable increased by \$13.5 million, as compared to a decrease of \$21.6 million in 1999.

Total principal repayments on long-term debt during 2000 amounted to \$1.8 million compared with \$133.8 million during 1999. At December 31, 2000, Slocan's long-term debt to equity ratio was 1.54 to 1 compared with 1.67 to 1 at the end of 1999. The decrease in the Company's



leverage in 2000 was a result of the combination of the lower amount of debt for the full year after repayments made in August 1999 from the proceeds of the sale of Slocan's interest in the Finlay operations, the elimination of the Company's portion of Finlay's debt and the increase in shareholders' equity resulting from improved earnings in 1999 and early 2000.

Total interest costs, including the amortization of deferred foreign exchange gains and losses, decreased in 2000 to \$27.4 million from \$45.5 million in 1999. This decrease reflects the lower principal amount of debt outstanding and the short-term investment of surplus cash.

The Company paid Common Share dividends of \$19.1 million in 2000 as compared to \$2.9 million in 1999. Fixed asset additions, including roads, totalled \$70.7 million, \$32.9 million higher than in 1999 as the Company completed its major capital program.

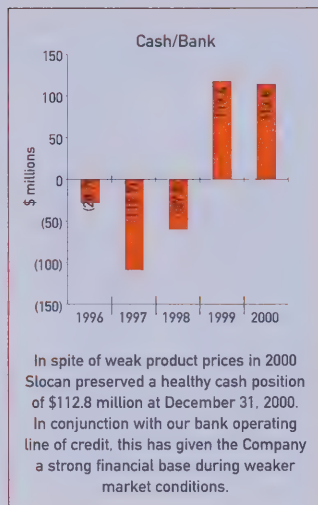
All of the above activities and expenditures resulted in a net cash outflow for 2000 of \$4.6 million compared with a net cash inflow of \$169.1 million for 1999 before the repayment of short-term borrowings of \$51.7 million. At the end of 2000, the Company had cash and term deposits of \$112.8 million compared with \$117.4 million at the end of 1999.

The ratio of current assets to current liabilities, excluding the current portion of long-term debt, at December 31, 2000 was 2.03 to 1 compared with 2.63 to 1 at the same date in 1999.

Liquidity and Capital Resources

As of December 31, 2000 and 1999, Slocan had a principal amount of US \$240.0 million outstanding under its senior notes and no term bank debt. During 1999, Slocan repaid an aggregate of US \$87.5 million of term debt from the proceeds of sale of its proportionate 49.9% interest in Finlay to Donohue and from cash generated from operations. These payments retired the balance (US \$37.5 million) of the bank term loans and the US \$50.0 million series of senior notes which was due to mature in October, 2000. Slocan also arranged a new bank operating facility of \$120 million committed for three years which was undrawn as of December 31, 2000. The senior notes and the operating facility are secured by security interests over substantially all of Slocan's assets.

Slocan expects to fund its year 2001 capital and operating cash requirements with cash generated from operations. The Company



commenced a number of major capital projects in late 1999. These short payback capital projects were all completed by the end of the third quarter of 2000 for expenditures of approximately \$60.0 million, of which \$16.8 million was expended in 1999. Any funding required in 2001 for the construction of the new OSB plant with LP is expected to be sourced from the Company's cash on hand and cash generated from operations.

Dividends

The Company was restricted from paying dividends while in default under its term and operating facilities and senior notes until the refinancing and renegotiation of this indebtedness in August 1999. After completion of the refinancing and renegotiation, Slocan

recommended the payment of quarterly dividends in the fourth quarter of 1999, paying a total of \$2.9 million in dividends to shareholders or \$0.075 per share during that year. Slocan continued paying regular quarterly dividends of \$0.075 per share throughout 2000, together with special extra dividends of \$0.10 per share in respect of each of the first and second quarters of the year in the light of the Company's strong cash position. The Company paid a total of \$ 19.1 million in dividends in 2000, or \$0.50 per share.

Risks and Uncertainties

Operating results of Slocan are significantly affected by fluctuations in the selling prices of lumber, plywood, OSB, wood chips and pulp, and by fluctuations in interest rates and currency exchange rates. Product selling prices are, in turn, dependent on a number of factors including the general level of economic activity in the world, residential and other construction and renovation activities, as well as the demand for wood, panel and pulp products. Slocan maintains the majority of its term debt in fixed rate US dollar borrowings, and a large portion of its sales are in US dollars, which partially mitigates the impact of changes in interest rates on costs and foreign exchange fluctuations on revenues.

As a general policy, Slocan has restricted its hedging and derivative transactions to forward sales of US dollars and of random length SPF lumber. These activities have been designed to partially hedge Slocan's exposure to US dollar revenues in excess of its US dollar cash requirements and hedge against decreases in lumber prices. The hedging of the Company's US dollar revenues in 2000 did not have a



material impact on its earnings for 2000. For 1999, Slocan had a US dollar hedged position equivalent to approximately 32 percent of its US dollar revenues and, as a result of the decline in the value of the Canadian dollar, had lower revenue of approximately \$5.2 million from delivering on these contracts.

Based upon the anticipated level of its operations in 2001, prevailing market prices and the changes in prices set out below, the sensitivities of Slocan's earnings from operations to price changes in its principal products and interest and foreign exchange rate changes are indicated in the "Sensitivity" table set out below.

Sensitivity	Change in Unit Price	Annual Change in Earnings (millions)
Lumber ⁽¹⁾	US \$10	\$16.3
Plywood ⁽²⁾	CDN \$10	\$2.8
OSB ⁽²⁾	US \$10	\$7.3
Wood Chips ⁽³⁾	CDN \$5	\$3.2
Pulp ⁽⁴⁾	US \$10	\$3.4
Interest ⁽⁵⁾	1%	\$0.0
Exchange Rates		
(change of \$0.01 Cdn. relative to US \$1.00)		
	\$0.01	\$4.8

(1) Thousand feet board measure (mfbm)

(2) Thousand square feet (3/8" basis)

(3) Bone dry unit (BDU)

(4) Air-dried metric tonne (ADMT)

(5) All of Slocan's term indebtedness is at a fixed rate of interest and no borrowings are anticipated under its operating facility.

(6) Actual sensitivities will vary if volumes sold deviate significantly from anticipated levels.

In addition to price volatility, there are also risks and uncertainties for Slocan which arise as result of its sales of wood products into the United States. Since 1996, shipments to the United States from British Columbia have been subject to quotas under a five year Canada/U.S. Softwood Lumber Agreement ended March 31, 2001 which imposed duties of US \$53.94 per mfbm on the first 2.4 percent of volume over an individual company's quota-free volume, US \$107.88 per mfbm on the next 2.4 percent of volume over the quota and US \$148.29 on any excess beyond this volume. Slocan curtailed production at its sawmills for approximately 3 weeks in 2000 (compared to three and one-half weeks in 1999) because of a combination of the restrictions under this Agreement, increased lumber production resulting from continued improved productivity at its

sawmill operations and over-supply in the North American markets. Slocan shipped its full duty-free volumes in the first quarter of 2001 as permitted by the Softwood Lumber Agreement.

The Softwood Lumber Agreement between Canada and the United States which constrained lumber shipments to the United States ended on March 31, 2001. The Company's quota under the Agreement, together with lower prevailing lumber prices and an oversupply of lumber in North America, led to production curtailments at certain of Slocan's facilities in 1999 and 2000.

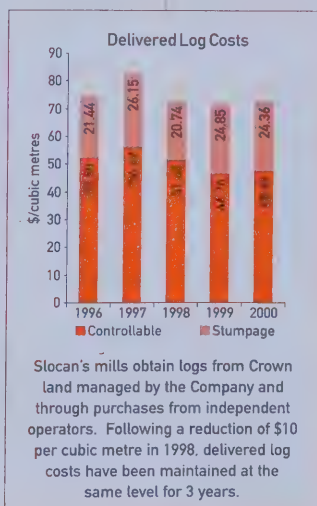
The expiry of the Softwood Lumber Agreement creates risks and uncertainty for Slocan and other Canadian exporters of lumber to the U.S. market. On April 2, 2001, the U.S. Coalition for Fair Lumber Imports and other parties petitioned the United States government to initiate trade action against the Canadian lumber industry seeking countervailing and anti-dumping duties in respect of Canadian lumber shipments to the U.S. alleging that certain Canadian provinces, including B.C., subsidize the Canadian forest industry by charging artificially low stumpage rates and that Canadian lumber is being dumped in the U.S.

Canada and the United States have had disputes over lumber imports into the United States on numerous occasions in the past, which have ultimately been determined in Canada's favour or been resolved by negotiated settlement. The Coalition's allegations about subsidies are similar to those previously faced by Canadian producers and are being denied and opposed by the Canadian government and forest industry. Until a negotiated settlement is reached or a final determination is made to resolve the dispute, Slocan cannot predict the impact the dispute will have on its operations or its business; however, in the interim, duties may be imposed which could adversely affect exports to the United States.

In order to limit the impact of the uncertainty surrounding any replacement to the Softwood Lumber Agreement or other resolution to the lumber dispute, Slocan plans to continue to emphasize the production of value-added and engineered wood products which were exempt under the Agreement through, for example, its custom lumber remanufacturing facility near Vancouver, B.C., and to develop greater sales to domestic and non-United States export markets.

Slocan is exposed to credit risk on accounts receivable from customers mainly in the solid wood products businesses. To manage this risk, Slocan has credit policies which include the analysis of the financial position of its customers and the regular review of their credit limits. In certain offshore markets, Slocan requires bank letters of credit or utilizes credit insurance.

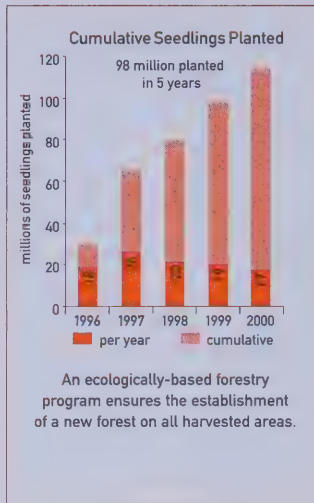
Other risks and uncertainties facing Slocan, as well as other forest product companies in North America and Europe, include pressures from special interest groups on both forest



products companies and their customers and a changing regulatory environment. Over the last several years these pressures have resulted in new resource and environmental regulations, government-sponsored initiatives to study new proposals relating to land use and resources, expropriation and compensation, requirements to reduce or eliminate certain types of effluent and emissions, changes in market demand for certain products and restrictions on operating activities. These pressures have also led to the development of various registration and certification systems for the forest industry, many of which Slocan is pursuing. Some parts of British Columbia in which Slocan conducts its logging operations are viewed by interest groups and local residents as being environmentally sensitive areas to which road building and deactivation, harvesting and related activities can be potentially harmful or contrary to their interests. Although Slocan undertakes intensive planning under applicable legislation and government land use strategies to ensure any adverse environmental effects are minimized and interested parties' concerns are appropriately addressed, Slocan is occasionally met with protests and activities of interest groups and residents designed to interfere with its activities. In recent years, these activities involved road blockades in the Slocan Valley which necessitated that Slocan resort to legal proceedings to enforce its logging rights. Such situations can cause delays in access to timber and can increase costs.

The Forest Practices Code ("Code") establishes mandatory requirements for forest practices in British Columbia, sets enforcement and penalty provisions and specifies independent audit requirements and appeal mechanisms. The British Columbia Government has stated that any reduction in wood supply due to the implementation of the Code will not exceed 6 percent of the province's total wood supply, although it is expected that there will be variations to the 6 percent on an area by area basis. Contraventions of the Code can occur notwithstanding the planning and preventative measures undertaken by forest companies in British Columbia and remedial action and penalties can be imposed even in cases where a forest company is not negligent. Compliance with the Code has increased operating costs and administrative requirements for companies such as Slocan and has resulted in delays in certain of its activities, both of which increase costs of operation.

In addition to the requirements of the Code, the Chief Forester of the Ministry of Forests conducts periodic detailed reviews of the timber supply in each of the 34 Timber Supply Areas and 32 Tree Farm Licences in British Columbia to determine new levels of allowable annual cut (AAC) to be in effect for specified 5-year periods. The Minister of Forests has



also lead a process to develop regional land use plans and strategies. There has been no material reduction in the availability of wood to Slocan in any of its operating areas as a result of these processes. In total, the impact of these reviews on the combined AAC for all of the areas managed by Slocan has been a reduction of less than 2 percent, which in 1999 and 2000 was made up through purchases from outside sources. A land use plan for the Kootenay-Boundary region of the province, in which Slocan's Radium and Slocan operations are located, has been issued by the government and took effect January 31, 2001. The plan reflects a combination of both economic and environmental objectives. The forestry-related elements of the plan are intended to be legally binding under the Forest

Practices Code. Until the plan is fully implemented, it is not possible to conclude what impact the plan will have in this region, although it is expected to result in some reduction in the overall AAC in the region and possibly in some reduction in Slocan's AAC.

Aboriginal groups have claimed aboriginal title and rights over substantial portions of British Columbia including some areas where Slocan's forest tenures and operations are situated. Provincial government policy requires that forest management and operating plans take into account and not unjustifiably infringe on aboriginal rights and title, and provides for government consultation with aboriginal groups. Increasingly, aboriginal groups have sought to restrict the Crown from granting or replacing forest tenures and other operating authorizations, without their consent, on lands claimed by them.

A decision of the Supreme Court of Canada in December 1997 confirming the continued existence of aboriginal title and rights in areas of British Columbia which are not subject to treaties has both resulted in increased demands from aboriginal groups and uncertainties as to the status of competing property rights, including existing forestry and other resource rights granted by the government. Pending resolution of these demands and uncertainties, Slocan expects that the process of obtaining government authorizations for its operations, and related consultations with aboriginal groups, may be slowed. However, Slocan believes that cooperative arrangements, including employment opportunities and business relationships based on mutually beneficial, sound economic principles, can facilitate these processes. See also the "Timber Resources Aboriginal Issues" section of the Annual Information Form included in this Annual Report.

Outlook

The outlook for Slocan's operations in 2001 is positive although there is expected to be continued volatility in the pricing of its products and considerable uncertainty over the cost of access for Slocan's products to the US lumber market in light of the expiration of the Softwood Lumber Agreement. For 2000, prices of all of the Company's products except wood chips and pulp averaged lower than in 1999.

In the first quarter of 2001, North American lumber prices were approximately 30 percent lower than the strong average prices achieved during 2000, Slocan expects lumber prices to improve at least through the building season in North America in the first half of 2001. Plywood prices in North America, which early in the first quarter of 2001 were averaging 11 percent lower than 2000, are expected to remain steady to marginally lower in 2001 than 2000. OSB prices were strong in the first half of 2000 but trailed off in the second half due to oversupply which crept into the market as additional capacity came on stream. OSB prices are expected to remain at these lower second half 2000 levels throughout 2001.

Slocan expects that the demand for its lumber and panel products in Asian markets, particularly Japan, will continue to improve in 2001. Wood chip prices are expected to move lower through the first half of 2001 with an anticipated decrease in kraft pulp demand and prices. In the last half of the year kraft prices are expected to increase due to an expected increase in demand resulting in improving wood chip prices.

Costs of raw materials in 2001 are expected to be about 3 percent lower than 2000 levels as a result of decreased stumpage costs due to lower selling prices in 2000 and 2001. Manufacturing costs of wood products on a per unit basis should be about the same for 2001 as those for 2000, since lumber recovery improvements are expected to more than offset any normal cost increases.

Slocan's operations have not been significantly affected by the increasing shortages of timber affecting North America generally, due in part to its past acquisitions and concentration on timber harvesting rights, as well as its success in obtaining complementary private supplies of timber. Slocan has been able to maintain its level of operations without interruption or reduction due to supply constraints in 2000 and no change is expected in 2001.

The demand and prices for softwood and hardwood CTMP softened in the fourth quarter of 2000 and are expected to continue to decline early in 2001 due to the excess inventories of pulp which built up in the latter part of 2000. Demand and prices for market pulp are however expected to improve in the second half of 2001 over the market prices at the end of 2000 as the pulp inventories are reduced.

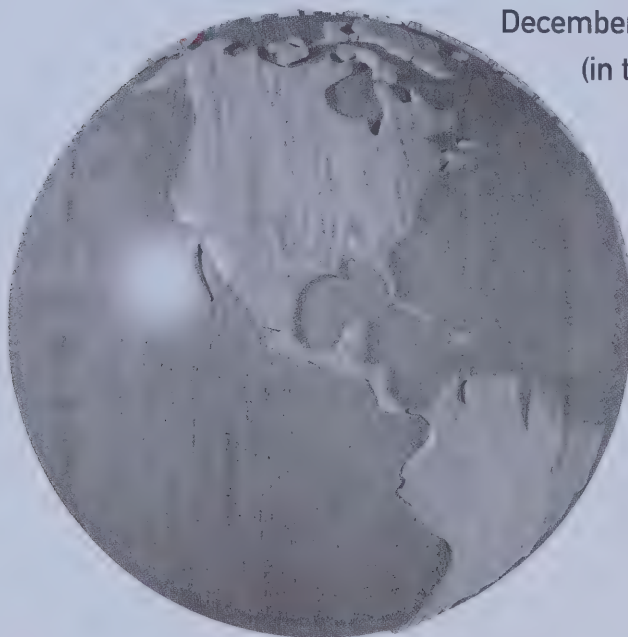
Slocan expects the Canadian dollar to strengthen by about 1 percent relative to the US dollar during 2001 which would have some negative impact on its earnings. In the first quarter of 2001, the average exchange rate of the Canadian dollar in US dollars was approximately 3 percent lower than the average rate of \$1.4852 in 2000.



Consolidated Financial Statements

December 31, 2000 and 1999

(in thousands of dollars)



February 9, 2001

Auditors' Report

To the Shareholders of Slocan Forest Products Ltd.

We have audited the consolidated balance sheets of Slocan Forest Products Ltd. as at December 31, 2000 and 1999 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles. As required by the British Columbia Company Act, we report that, in our opinion, these principles have been applied, after giving effect to the change in accounting policies described in note 2 to the consolidated financial statements, on a consistent basis.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
Vancouver, BC
February 9, 2001

Responsibility of Management

The management of Slocan Forest Products Ltd. is responsible for the preparation as well as the integrity of the accompanying consolidated financial statements and all related financial data contained in the Annual Statutory Report. The consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada, and necessarily include amounts which represent the best estimates and judgements of management. The Company has developed and maintains a system of internal accounting control designed to provide reasonable assurance that assets are safe-guarded and that transactions are executed in accordance with management's authorizations.

The consolidated financial statements have been examined by the Company's auditors, PricewaterhouseCoopers LLP, and they have issued their report thereon.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit Committee comprised of three Directors, none of whom are officers or employees of the Company. The Committee meets from time to time with management and the Company's auditors to review the financial statements and matters relating to the audit. The Company's auditors have full and free access to the Audit Committee. The Audit Committee reports its findings to the Board of Directors for consideration in approving the consolidated financial statements for issuance to the shareholders.

I.K. Barber

I.K. Barber
Chairman

R.D. Price

R.D. Price
Senior Vice-President, Chief
Financial Officer and Secretary

Vancouver, BC
February 9, 2001

Consolidated Balance Sheets

As at December 31, 2000 and 1999 (in thousands of dollars)	2000	1999
Assets		
Current assets		
Cash and term deposits	\$ 112,772	\$ 117,408
Accounts receivable	64,039	66,484
Inventories (note 4)	196,737	158,885
Prepaid expenses	8,784	8,646
	382,332	351,423
Investments and other assets (note 5)	11,752	26,304
Property, plant and equipment (note 6)	465,951	400,135
Deferred charges (note 7)	13,948	10,762
	\$ 873,983	\$ 788,624
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 125,523	\$ 131,424
Current income taxes payable	34,061	2,066
Future income taxes payable	28,450	-
Current portion of long-term debt (note 9)	1,918	1,825
	189,952	135,315
Deferred credit (note 7)	-	10,583
Reforestation obligation (note 8)	4,366	6,697
Long-term debt (note 9)	359,880	348,310
Future income taxes (note 13)	86,755	79,616
	640,953	580,521
Shareholders' Equity		
Capital stock (note 10)	176,393	184,917
Retained earnings	56,637	23,186
	233,030	208,103
	\$ 873,983	\$ 788,624

Commitments and contingencies (note 11)

Approved by the Directors


I.K. Barber / Director


R.D. Price / Director

Consolidated Statements of Retained Earnings

For the Years Ended December 31, 2000 and 1999 (in thousands of dollars)	2000	1999
Retained earnings (deficit) - Beginning of year	\$ 23,186	\$ (82,363)
Net earnings for the year	61,203	108,417
	84,389	26,054
Dividends	(19,074)	(2,868)
Change in accounting for income taxes (note 2)	(1,663)	-
Premium on share repurchase (note 10)	(7,015)	-
Retained earnings - End of year	\$ 56,637	\$ 23,186

Consolidated Statements of Earnings

For the Years Ended December 31, 2000 and 1999 (in thousands of dollars, except per share amounts)	2000	1999
Sales	\$ 925,863	\$ 1,085,813
Costs and expenses		
Cost of products sold	715,615	774,479
Depreciation and amortization	56,971	56,171
Selling and administration	25,592	24,584
	798,178	855,234
Earnings from operations	127,685	230,579
Interest expense (income)		
Short-term debt	1,134	3,903
Short-term investments	(8,702)	(5,136)
Long-term debt	34,950	46,733
	27,382	45,500
Earnings before unusual items	100,303	185,079
Unusual items (note 14)	-	(1,344)
Earnings before income taxes	100,303	183,735
Income tax expense (recovery) (note 13)		
Current	58,858	3,946
Future	(19,585)	71,472
	39,273	75,418
Earnings before equity in earnings of affiliates	61,030	108,317
Equity in earnings of affiliates	173	100
Net earnings for the year	\$ 61,203	\$ 108,417
Net earnings per common share before unusual items	\$ 1.62	\$ 2.89
Net earnings per common share (note 15)		
Basic	\$ 1.62	\$ 2.84
Diluted	\$ 1.59	\$ 2.80

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2000 and 1999 (in thousands of dollars)	2000	1999
Cash flows from operating activities		
Net earnings for the year	\$ 61,203	\$ 108,417
Items not affecting cash		
Depreciation and amortization	56,971	56,171
Amortization of deferred foreign exchange loss (gain)	89	(87)
Unusual items (note 14)	-	1,344
Reforestation expense	16,929	15,246
Future income taxes	(19,585)	71,472
Other	(5,790)	(136)
	109,817	252,427
Reforestation expenditures	(17,812)	(15,528)
Change in non-cash working capital items (note 17)	12,755	36,600
	104,760	273,499
Cash flows from investing activities		
Additions to property, plant and equipment	(70,712)	(37,792)
Proceeds from disposal of property, plant and equipment	2,188	286
Proceeds from sale of investment in Finlay Forest Industries Inc. (note 3)	-	80,000
Investments and other assets - net	(4,434)	(10,420)
	(72,958)	32,074
Cash flows from financing activities		
Repayment of long-term debt	(1,825)	(133,847)
Decrease in short-term borrowings	-	(51,698)
Issue of common shares	707	248
Share buy back	(16,246)	-
Dividends	(19,074)	(2,868)
	(36,438)	(188,165)
Increase (decrease) in cash and cash equivalents	(4,636)	117,408
Cash and cash equivalents - Beginning of year	117,408	-
Cash and cash equivalents - End of year	\$ 112,772	\$ 117,408
Interest paid	\$ 35,560	\$ 54,400
Income taxes paid	\$ 4,143	\$ 1,100

(figures in tables are in thousands of dollars, except where indicated)

1 Summary of significant accounting policies

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries:

Tackama Forest Products Ltd. (Tackama)	100%
Plateau Forest Products Ltd. (Plateau)	100%

Investments

Investments in Fibreco Export Inc. and other investments are accounted for using the equity method.

Prior to the disposal (note 3), the Company's 49.9% interest in Finlay Forest Industries Inc. (Finlay) was accounted for using the proportionate consolidation method.

Inventories

Log, lumber, panel products, and pulp inventories are valued at the lower of average cost and net realizable value.

Processing materials and supplies are valued at the lower of average cost and replacement cost.

Property, plant and equipment

Property, plant and equipment are recorded at cost net of investment tax credits less accumulated depreciation and amortization including the amount of any write-downs. Investment tax credits are recorded when there is reasonable assurance that the credits will be realized. Cost includes capitalized interest and preproduction and start-up costs for major new construction projects.

Manufacturing and production assets are depreciated using the unit-of-production method based on the estimated useful lives of the assets at normal production levels. Depreciation commences upon achievement of commercial production.

The cost of constructing logging roads is amortized on the basis of the volume of timber removed from each logging area.

Timber tenures are recorded at cost and are amortized on a straight-line basis over 15 to 40 years.

Non-manufacturing assets and preproduction and start-up costs are depreciated on a straight-line basis.

Estimated useful lives are as follows:

Buildings	
Pulp	20 to 30 years
Wood products	10 to 20 years
Manufacturing machinery and equipment	
Pulp	20 to 30 years
Wood products	10 to 20 years
Mobile equipment and other	5 to 10 years
Preproduction and start-up costs	5 years

Reforestation obligation

The Company harvests timber under various licences. Future reforestation and silviculture obligations are accrued and charged to earnings on the basis of timber removed from each area. Any differences between the amounts accrued and actual expenditures for reforestation are recorded in the period the costs are incurred.

Employee benefit plans

The Company maintains a defined contribution plan and defined benefit pension plans that provide for retirement benefits for salaried employees. The defined benefit pension plans provide for benefits based upon the length of service and the final average earnings of the employee. The Company also provides certain healthcare and other benefits to certain eligible retired employees. Pension expense for the defined contribution plan is based on a percentage of employees' salaries.

Foreign currencies

Accounts receivable in United States dollars covered by forward exchange contracts are translated to Canadian dollars at the contract rates. All monetary assets and liabilities in United States dollars, other than Finlay debt (now extinguished), are translated to Canadian dollars at the exchange rate in effect at the balance sheet date. Revenue and expense items are translated at the exchange rates in effect on the transaction dates. Realized gains and losses on derivative hedging transactions are recognized in revenue at the time of recording the related sales. Exchange gains and losses are included in earnings except for gains and losses arising on the translation of long-term debt, which are deferred and amortized over the life of the debt or reflected in earnings on settlement of the debt.

Income taxes

Income taxes are calculated using the liability method of tax accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse.

Stock-based compensation plans

The Company has stock-based compensation plans, which are described in note 10. No compensation expense is recognized for these plans when stock or stock options are issued to employees or directors. Consideration paid by employees on exercise of stock options or purchase of stock is credited to capital stock.



(figures in tables are in thousands of dollars, except where indicated)

Earnings per share

The treasury stock method recognizes the use of proceeds that could be obtained upon exercising of options and warrants in computing diluted earnings per share. It assumes that any proceeds would be used to purchase common shares at the average market price during the period.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks, and investments in money market instruments with maturity of three months or less.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of reforestation, road deactivation and environmental obligations, impairment of assets, and rates for depreciation, depletion and amortization. Actual results could differ from those estimates.

2 Change in accounting policies

Employee benefit plans

Effective January 1, 2000, the Company adopted the new policy of the Canadian Institute of Chartered Accountants (CICA) with respect to accounting for employee future benefits. The policy requires the recognition of the costs of retirement benefits and certain post-retirement benefits over the periods in which the employees render services in return for the benefits. The policy has been implemented on the prospective basis. The accrued benefit obligation and current service cost of the defined benefit pension plans are determined using the projected unit credit cost method pro-rated on years of service and management's best estimates of salary escalation and expected benefit costs and premiums. The discount rate used to determine the accrued obligation is determined by reference to market interest rates.

Defined benefit plan assets are measured at fair value. Plan amendments and transitional amounts are amortized on a straight-line basis over the average remaining service period of the active employees, which is estimated to be 15 years.

Income taxes

Effective January 1, 2000, the Company adopted the new policy of the CICA with respect to accounting for income taxes. The Company has adopted the new recommendations retroactively without restating prior years' financial statements. The cumulative effect of adopting the liability method of accounting for income taxes at January 1, 2000, was to increase fixed assets by \$53,511,000, decrease retained earnings by \$1,663,000 and increase future income taxes (previously described as deferred income taxes) by \$55,174,000. Prior to January 1, 2000, income taxes were accounted for by the deferral method.

Earnings per share

Effective December 31, 2000, the Company changed its method of calculating earnings per share in accordance with recommendations of the CICA. The Company has adopted the new recommendations retroactively and has restated prior year's financial statements. The effect of the change on the prior year's financial statements is as follows:

	1999 restated	1999 as previously reported
Basic earnings per share	\$ 2.84	\$ 2.84
Diluted earnings per share	\$ 2.80	\$ 2.72

(figures in tables are in thousands of dollars, except where indicated)

3 Divestiture and acquisition

On August 4, 1999, the Company completed the sale of its 49.9% interest in Finlay to its joint venture partner, Donohue Inc., for \$80 million cash and recognized a loss on the sale of \$11,009,000 (note 14).

The Company's proportionate share of the operating results and cash flows of Finlay prior to the sale and included in the 1999 comparative figures was:

Sales	\$ 83,354
Expenses	\$ 82,728
Net earnings	\$ 626
Cash flows from (used for)	
Operating activities	\$ 9,953
Financing activities	\$ (9,100)
Investing activities	\$ (853)

4 Inventories

	2000	1999
Logs	\$ 66,300	\$ 68,708
Lumber	92,453	55,912
Pulp	11,837	8,740
Panel products	3,187	4,725
Processing materials and supplies	22,960	20,800
	\$ 196,737	\$ 158,885

5 Investments and other assets

	2000	1999
Fibreco Export Inc. (20.62% interest)	\$ 2,221	\$ 472
Timber deposits	341	341
WCB rebate	4,865	-
Slocan-LP OSB Corp. Joint Venture (note 11(a))	571	-
Other	2,120	1,472
Investment tax credits	1,634	24,019
	\$ 11,752	\$ 26,304

The Company has business transactions with its equity investees. All transactions are at export market prices and on normal business terms.

(figures in tables are in thousands of dollars, except where indicated)

6 Property, plant and equipment

	2000		
		Accumulated depreciation and amortization	Net
	Cost		
Land	\$ 7,518	\$ -	\$ 7,518
Pulp mills	188,728	181,634	7,094
Sawmills and panel operations	549,577	267,076	282,501
Logging roads	95,596	61,121	34,475
Timber tenures	158,743	24,380	134,363
	\$ 1,000,162	\$ 534,211	\$ 465,951

	1999		
		Accumulated depreciation and amortization	Net
	Cost		
Land	\$ 7,518	\$ -	\$ 7,518
Pulp mills	181,845	181,448	397
Sawmills and panel operations	507,012	236,278	270,734
Logging roads	90,251	54,529	35,722
Timber tenures	105,232	19,468	85,764
	\$ 891,858	\$ 491,723	\$ 400,135

7 Deferred charges and credit

	2000	1999
Deferred charges		
Deferred financing fees	\$ 3,984	\$ 4,261
Deferred foreign exchange loss	2,817	-
Other	7,147	6,501
	\$ 13,948	\$ 10,762
Deferred credit		
Deferred foreign exchange gain	\$ -	\$ 10,583

(figures in tables are in thousands of dollars, except where indicated)

8 Reforestation obligation

The Company's reforestation obligation and expense are:

	2000	1999
Reforestation obligation - Beginning of year	\$ 16,216	\$ 24,639
Expense for the year	16,929	15,246
	33,145	39,885
Less: Paid during the year	17,812	15,528
Sale of Finlay	-	8,141
Reforestation obligation - End of year	\$ 15,333	\$ 16,216
Current - included in accrued liabilities	\$ 10,967	\$ 9,519
Long-term	4,366	6,697
	\$ 15,333	\$ 16,216

9 Long-term debt

	2000	1999
Senior notes payable (U.S. \$240 million)	\$ 359,880	\$ 346,392
Capital lease obligations and other	1,918	3,743
	361,798	350,135
Less: Current portion	1,918	1,825
	\$ 359,880	\$ 348,310

The Canadian equivalent of the senior notes payable has been calculated using the year-end spot exchange rate.

The terms of the Company's debt facilities are:

- a) a revolving operating credit facility of \$120 million, with interest at LIBOR plus 1-3/8% for a minimum period to August 2002.
- b) senior notes payable (U.S. \$240 million), issued in series with varying maturities and interest rates as follows:

Series	Maturity date	Interest rate	Amount
B	October 24, 2003	8.32%	U.S.\$ 50,000
C	October 24, 2005	8.49	60,000
D	January 24, 2006	8.49	30,000
E	October 24, 2007	8.63	100,000
			U.S.\$ 240,000

- c) substantially all of the Company's assets have been pledged as security for the debt facilities. The security over the assets will be released by its lenders if the Company achieves certain financial ratios for six consecutive quarters after the completion of the Slocan-LP OSB Corp. mill (note 11(a)).
- d) scheduled repayments of senior notes payable over the next five years are:

2003	(U.S. \$50 million)	\$ 74,975
2005	(U.S. \$60 million)	\$ 89,970



(figures in tables are in thousands of dollars, except where indicated)

10 Capital stock

Authorized

10,000,000 preferred shares without par value

80,000,000 common shares without par value

Issued

	2000		1999	
	Number of shares	Amount	Number of shares	Amount
Capital stock - Beginning of year	38,245,143	\$ 184,917	38,190,205	\$ 184,669
Shares issued via stock options	160,512	707	54,938	248
Share repurchase	(1,910,000)	(9,231)	-	-
Capital stock - End of year	36,495,655	\$ 176,393	38,245,143	\$ 184,917

Share capital transactions

During the year, the Company repurchased 1.91 million common shares of the Company under a normal course issuer bid for \$16,246,000. The excess of the purchase price over paid-up capital of the shares repurchased (\$7,015,000) was charged to retained earnings.

Stock option plans

The Company has two stock option plans. Under the Employee Stock Option Plan, the Company may grant options to its employees for up to 4,086,300 shares of common stock. Under the Directors Stock Option Plan, the Company may grant options to directors for up to 300,000 shares of common stock. The exercise price per share under these plans is to be determined by the board of directors. The vesting of the options occurs at a rate of 20% per annum for options granted in 1997 and prior and 33% per annum for options granted in 1998 and subsequent.

A summary of the status of the Company's two stock option plans as of December 31, 2000 and 1999, and changes during the years ending on those dates, is presented below:

	2000		1999	
Options	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Outstanding - Beginning of year	1,602,512	\$ 6.99	1,781,550	\$ 7.80
Granted	1,156,500	10.09	100,000	4.65
Exercised	(160,512)	(4.40)	(54,938)	(4.52)
Expired/forfeited	(215,934)	(12.33)	(224,100)	(13.05)
Outstanding - End of year	2,382,566	\$ 8.18	1,602,512	\$ 6.99
Options exercisable at year end	1,528,466		1,088,257	

(figures in tables are in thousands of dollars, except where indicated)

The following table summarizes information about stock options outstanding at December 31, 2000:

Exercise price	Number outstanding at December 31, 2000	Weighted average remaining contractual life (years)	Number exercisable at December 31, 2000
\$ 3.65	718,966	8.0	718,966
4.65	50,000	8.0	16,667
7.60	316,500	10.0	105,500
7.65	258,100	2.0	204,000
8.05	150,000	10.0	50,000
9.35	250,000	9.5	83,333
13.00	433,500	9.0	144,500
15.00	205,500	1.0	205,500
	2,382,566		1,528,466

Employee share purchase plan

The share purchase plan is available to all employees. Purchases of common shares under this plan will either occur on the open market or from treasury stock. Under the plan, the Company will discount stock issued from treasury by 5% of the market price or contribute 5% to any purchases of stock on the open market.

11 Commitments and contingencies

a) During the year, the Company entered into a joint venture agreement with Louisiana-Pacific Canada Ltd. to construct and operate an oriented strand board mill in Fort St. John, BC. The mill is expected to cost approximately \$200 million, of which the Company has committed to finance 50%. The Company will invest \$5.0 million in the joint venture by way of equity and loans and expects to finance approximately 50% of its share of the project cost out of its existing cash resources and operating cash flows with the balance from project financing. Once the mill is operational, the Company is committed to supplying 330,000 m³ of timber to the joint venture out of its existing timber tenure in the area. The project is subject to finalizing the site, environmental review and regulatory approval. To December 31, 2000, the Company has incurred \$571,000 of costs associated with this project, which are recorded in investments and other assets (note 5).

b) The Company has guaranteed the bank indebtedness of one of its investees to a maximum aggregate amount of \$0.3 million (1999 - \$0.5 million).

12 Employee benefit plans

The Company maintains both defined benefit and defined contribution pension plans covering substantially all salaried employees. The following significant actuarial assumptions were employed to determine the pension expense and the accrued pension obligations of the defined benefit plans:

	2000	1999
Expected long-term average rate of return on plan assets	7.44%	8.00%
Discount rate	7.25%	8.00%
Rate of compensation increase	3.00%	4.50%

(figures in tables are in thousands of dollars, except where indicated)

The change in accrued benefit obligation during the year was:

	2000	1999
Balance - Beginning of year	\$ 45,184	\$ 41,498
Change in actuary assumptions	1,590	-
Current service cost	2,407	2,146
Interest cost	3,513	3,226
Benefits paid	(1,716)	(1,686)
Balance - End of year	\$ 50,978	\$ 45,184

The change in plan assets during the year was:

	2000	1999
Fair value - Beginning of year	\$ 44,197	\$ 41,710
Actual return on plan assets	4,784	2,558
Employer contributions	2,486	1,615
Benefits paid	(1,716)	(1,686)
Fair value - End of year	\$ 49,751	\$ 44,197

The funded status of the plan is:

	2000	1999
Deficiency of plan assets	\$ 1,227	\$ 987
Unamortized net actuarial gain	1,692	2,469
Unamortized transitional obligation	703	-
Net accrued benefit liability	\$ 3,622	\$ 3,456

Included in the accrued benefit obligation amounts above are unfunded obligations for supplemental benefits to the extent that the benefit under the defined benefit pension plan is limited by statutory restrictions. At December 31, 2000, the projected benefit obligation for supplemental benefits was \$5.2 million.

The total pension expense for the year is:

	2000	1999
Defined benefits plan		
Current service costs	\$ 2,407	\$ 2,145
Interest on accrued benefit obligation	3,513	3,226
Expected return on plan assets	(3,336)	(3,110)
Amortization of net transitional obligation	144	(69)
	2,728	2,192
Defined contribution plan	1,473	1,267
Total pension expense	\$ 4,201	\$ 3,459

(figures in tables are in thousands of dollars, except where indicated)

At December 31, 2000, the actuarial net present value of the accrued benefit obligation for healthcare and other post-retirement benefits was \$3.7 million and the related expense for the year was \$583,000. The healthcare cost trend rate is estimated to decrease from 8.5% in 2000 to 4.5% over five years.

13 Income taxes

The Company's effective tax rate is as follows:

	2000		1999	
Federal income tax - net	\$ 22,167	22.1%	\$ 40,605	22.1%
Provincial income tax - net	16,550	16.5	30,316	16.5
	38,717	38.6	70,921	38.6
Permanent differences	149	0.1	1,492	0.8
Large corporations tax	470	0.5	1,080	0.6
Other items	(63)	(0.1)	1,925	1.0
	\$ 39,273	39.1%	\$ 75,418	41.0%

14 Unusual items

	2000	1999
Loss on sale of investment in Finlay (note 3)	-	\$ 11,009
Foreign exchange gain on US\$ debt	-	(10,299)
Write-off of deferred charges	-	634
	-	\$ 1,344

Foreign exchange gains

During the period from January 1, 1999, to August 4, 1999, the Company was not in compliance with certain covenants in the senior notes payable and bank term loan agreements. This resulted in the classification of the debt as current liabilities, and all foreign exchange gains and losses realized on the debt (net gain - \$10,299,000) were recorded in earnings. Foreign exchange gains arising subsequent to the debt renegotiation are deferred over the life of the debt (note 7).

15 Earnings per common share

Basic earnings per share is calculated on net earnings available to common shareholders using the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated on net earnings available to common shareholders, adjusted for the effects of dilutive convertible securities, if any, using the weighted average number of common shares outstanding during the period increased by the number of additional common shares that would have been outstanding if dilutive potential common shares had been issued.

	2000	1999
Basic		
Net earnings available to common shareholders	\$ 61,203	\$ 108,417
Weighted average number of common shares outstanding	37,838,920	38,212,101
Basic earnings per share	\$ 1.62	\$ 2.84
Diluted		
Incremental shares from assumed options	698,838	543,304
Adjusted weighted average number of shares	38,537,758	38,755,405
Diluted earnings per share	\$ 1.59	\$ 2.80

(figures in tables are in thousands of dollars, except where indicated)

Options to purchase 639,000 (1999 - 412,700) common shares outstanding at year-end were excluded from the computation of diluted earnings per share because the exercise price of the options was greater than the average market price of the common shares.

16 Segmented information

The Company's reportable segments are strategic business units that offer different products. They are managed separately because each business requires different technology and marketing strategies.

The three reportable segments are lumber, panel products, and pulp. The lumber segment manufactures dimension lumber in varying grades and species for the construction industry; the panel product segment manufactures plywood and oriented strand board to serve the construction industry; and the pulp segment manufactures CTMP for paper, packaging, industrial and consumer products.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Interest expense and income are allocated based on capitalization and the working capital position of the segment. The Company evaluates performance based on profit or loss from operations before unusual items.

2000	Lumber	Panel	Pulp	Non-segment	Total
External sales	\$ 648,213	\$ 169,407	\$ 108,243	\$ -	\$ 925,863
Depreciation and amortization	\$ 43,743	\$ 12,174	\$ 186	\$ 868	\$ 56,971
Earnings (loss) from operations	\$ 72,219	\$ 38,142	\$ 23,705	\$ (6,381)	\$ 127,685
Interest income	\$ (5,902)	\$ (2,800)	\$ -	\$ -	\$ (8,702)
Interest expense	\$ 13,156	\$ 6,189	\$ 10,605	\$ 6,134	\$ 36,084
Earnings (loss) before unusual items	\$ 64,965	\$ 34,753	\$ 13,100	\$ (12,515)	\$ 100,303
Total assets	\$ 618,072	\$ 199,253	\$ 42,914	\$ 13,744	\$ 873,983
Capital expenditures	\$ 43,526	\$ 20,303	\$ 6,883	\$ -	\$ 70,712

1999	Lumber	Panel	Pulp & Paper	Non-segment	Total
External sales	\$ 799,397	\$ 186,956	\$ 99,460	\$ -	\$ 1,085,813
Depreciation and amortization	\$ 41,169	\$ 9,966	\$ 4,030	\$ 1,006	\$ 56,171
Earnings (loss) from operations	\$ 157,195	\$ 72,002	\$ 7,718	\$ (6,336)	\$ 230,579
Interest income	\$ (4,274)	\$ (862)	\$ -	\$ -	\$ (5,136)
Interest expense	\$ 12,954	\$ 12,040	\$ 13,467	\$ 12,175	\$ 50,636
Earnings (loss) before unusual items	\$ 148,515	\$ 60,824	\$ (5,749)	\$ (18,511)	\$ 185,079
Total assets	\$ 564,300	\$ 176,999	\$ 38,076	\$ 9,249	\$ 788,624
Capital expenditures	\$ 26,678	\$ 10,457	\$ 657	\$ -	\$ 37,792

(figures in tables are in thousands of dollars, except where indicated)

Non-segment detail

	2000	1999
Loss before unusual items		
Interest expense	\$ 6,134	\$ 12,175
B.C. corporation capital tax	1,697	2,100
Other	4,684	4,236
	\$ 12,515	\$ 18,511
Total assets		
Deferred charges	\$ 3,988	\$ 4,261
Other	9,756	4,988
	\$ 13,744	\$ 9,249

Geographic segmentation

All of the Company's operations, employees and assets are located in British Columbia.

Sales distribution

Sales by major market are:

	2000	1999
United States	\$ 430,604	\$ 653,718
Other foreign countries	264,346	135,649
Total export sales	694,950	789,367
Canada	230,913	296,446
	\$ 925,863	\$ 1,085,813

Major customers

The Company has no customers that purchased more than 10% of total sales.

17 Change in non-cash working capital items

	2000	1999
Accounts receivable	\$ 2,445	\$ (11,883)
Inventories	(37,852)	30,348
Prepaid expenses	(138)	5,840
Current income taxes payable	31,995	2,066
Utilization of investment tax credits	23,654	-
Accounts payable and accrued liabilities, excluding current portion of reforestation obligation	(7,349)	10,229
	\$ 12,755	\$ 36,600

(figures in tables are in thousands of dollars, except where indicated)

18 Financial Instruments

Foreign exchange risk management

A significant portion of the Company's anticipated revenues originate from sales in U.S. dollars and are affected by the Canadian/U.S. dollar exchange rate. The Company uses derivative financial instruments and borrows a portion of its funds in U.S. dollars to reduce its foreign exchange exposure to fluctuations in the value of the U.S. dollar. The Company enters into financial instruments for normal operating purposes.

The derivatives allow the Company to receive fixed amounts of Canadian dollars within a specified range of rates. The notional amounts of derivative financial instruments represent the volume of outstanding transactions as at the reporting date. Realized gains and losses on hedging transactions are recognized in revenue at the time the related U.S. dollar sales are recorded.

a) Put options in U.S. dollars:

Maturity	Notional amount	2000 Average rate	Notional amount	1999 Average rate
2001	\$ 2,000	1.54	\$ -	-

The put options are exercisable at the counterpart's option and fix the maximum rate the Company will realize. The average maturity of the options as at December 31, 2000 is one and one-half months.

b) Forward exchange contracts in U.S. dollars:

Maturity	Notional amount	2000 Average rate	Notional amount	1999 Average rate
2001	\$ 39,000	1.5301	\$ -	-

The average maturity of the forward exchange contracts as at December 31, 2000 is six months.

Commodity risk management

Because of the highly competitive and cyclical nature of the lumber market, the Company may sell lumber futures to hedge its risk against price volatility. The Company does not hold or acquire lumber futures contracts for speculative purposes.

Fair values

The carrying value and fair value of the Company's financial instruments are as follows:

	Carrying value	2000 Estimated fair value	Carrying value	1999 Estimated fair value
Long-term debt	\$ 361,798	\$ 373,479	\$ 350,135	\$ 355,549
Derivative financial instruments				
Forward exchange contracts	\$ -	\$ 104	\$ -	\$ -
Foreign currency options	\$ -	\$ 304	\$ -	\$ -

The carrying values of accounts receivable, investments, income taxes payable, and accounts payable and accrued liabilities approximate their fair values. The fair value of long-term debt is estimated using discounted cash flow analysis utilizing incremental borrowing rates based on the Company's current credit position. The fair value of derivative financial instruments is estimated by obtaining quotations for similar instruments from the Company's counterparties.



OFFICERS AND SENIOR MANAGEMENT

Irving K. Barber
Chairman

James A. Shepherd
President & Chief Executive Officer

Micheal G. Madrigga
Senior Vice-President, Operations

Ronald D. Price
Senior Vice-President,
Chief Financial Officer & Secretary

James I. Barber
Vice-President, Operations

Donald B. Clutterham
Vice-President, Business Development

Terry D. Hodgins
Vice-President & Financial Officer

Julius Juhasz
Vice-President, Forest Resources

E. Terrence Upgaard
Vice-President, Sales & Marketing

Derek Stewart
General Manager, Fort Nelson Operations

Roger V. Ennis
Manager, Forestry & Communications

Keith R. Leech
Manager, Human Resources

Daniel G. Muzzin
Manager, Systems Development

Steven T. Pelton
Divisional Manager, Vavenby Division

Edward J. Anthony
Divisional Manager, Plateau Division

Marcel E. Favron
Divisional Manager, Valemount Division

Fred F. Fominoff
Divisional Manager, Taylor Pulp Division

Keith D. McGregor
Operations Manager, Mackenzie Operations

Ken Petteplace
Divisional Manager, Quesnel Division

Alistair Mellander
Divisional Manager, Uneeda Wood
Products Division

Cameron D. Milne
Divisional Manager, Slocan Division

Kerry R. Staples
Divisional Manager, Radium Division

Lorence A. Forsberg
Divisional Manager, PolarBoard Division

BOARD OF DIRECTORS

Irving K. Barber
Chairman, Slocan Forest Products Ltd.

Kenneth P. Benson
Retired

Stephen T. Bellringer
President and Chief Executive Officer,
Canadian Hotel Income Properties

George A. Edgson
Retired

Stephen A. Jarislowsky
Chairman & Chief Executive Officer,
Jarislowsky, Fraser Limited

Brandt C. Louie
President, H.Y. Louie Co. Limited

Ronald D. Price
Senior Vice-President, Chief Financial Officer &
Secretary, Slocan Forest Products Ltd.

James A. Shepherd
President & Chief Executive Officer,
Slocan Forest Products Ltd.

John M. Tennant
President of Ferncliff Estates Ltd.

E. Terrence Upgaard
Vice-President, Sales & Marketing,
Slocan Forest Products Ltd.

John Weatherall
Chairman Emeritus,
T.D. Asset Management Inc.

STOCK EXCHANGE LISTING

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Trading symbol - SFF

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Vavenby Division
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Vavenby, BC V0E 3A0

Uneeda Wood Products Division
6550 Unsworth Rd.
Chilliwack, BC V2R 4P4

Taylor Pulp Division
P.O. Box 330
Taylor, BC V0C 2K0

ANNUAL MEETING

The twenty-third Annual General Meeting of the Company will be held in the Versailles "A" Room of The Sutton Place Hotel, 845 Burrard St., Vancouver, BC at 2:00pm on the 22nd day of June, 2001.



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